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ABSTRACT

This book is intended to provide educators with the means to observe and teach about the unification process in Europe. The book contains a collection of essays about different aspects of unification. The Preface, by Dagmar Kraemer and Manfred Stassen, presents a brief historic overview of the development of the European Union. Chapter 1 is the "History of European Integration" (Wayne C. Thompson). Chapter 2 provides "Historical Perspectives on European Unification" (Michael D. Gordon). Chapter 3 presents "The European Union: Geographic Perspectives on Unification" (Howell C. Lloyd). Chapter 4 describes "The Political Institutions of the European Union" (Richard Gunther). Chapter 5 details "Economic Evolution of the European Union" (Moore McDowell). Chapter 6 depicts "European Political Transformation and the Future of Europe" (Leon Hurwitz). Chapter 7 provides "The Single European Market and Its Effect on the World" (George M. Vredeveld). Chapter 8 presents "Documents in ERIC on European Unification" (Vickie J. Schlene). Chapter 9 provides "Journal Articles in ERIC on European Unification" (Vickie J. Schlene). Appendices include a "European Unification Glossary"; "World Wide Web Sites of Information on European Unification"; and information about the contributors. (EH)

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EUROPEAN UNIFICATION:

A Conceptual Guide for Educators

SO 025 688

Steven L. Miller, editor

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Countries of the European Union

European Union: 367.3; $18.6

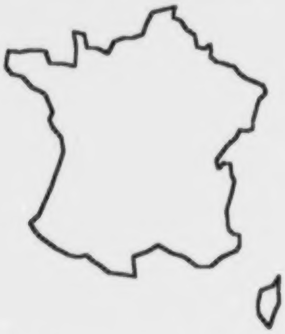
Country: population in millions;
per capita income in $1000s

Austria: 7.8; $20.1

Belgium: 10.0; $19

Denmark: 5.2; $23.7

Finland: 5.0; $24.0



France: 57.0; $20.4

Germany: 80.1; $23.7*

Greece: 10.3; $6.3

Ireland: 3.5; $11.1

Italy: 57.8; $18.5

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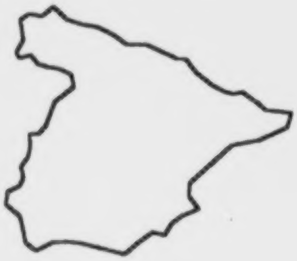

Spain: 39; $12.5

Sweden: 8.6; $25.1

United Kingdom: 57.6; $16.6

Data 1991
Source: World Bank
Maps by Cartesia Software in
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*data for FRG before unification

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Steven L. Miller, editor

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Contents

Foreword by Steven L. Miller v

Preface by Dagmar Kraemer and Manfred Stassen vii

Chapter 1 - History of European Integration by Wayne C. Thompson 3

Chapter 2 - Historical Perspectives on European Unification by Michael D. Gordon 21

Chapter 3 - The European Union: Geographic Perspectives on Unification by Howell C. Lloyd 29

Chapter 4 - The Political Institutions of the European Union by Richard Gunther 55

Chapter 5 - Economic Evolution of the European Union by Moore McDowell 71

Chapter 6 - European Political Transformation and the Future of Europe by Leon Hurwitz 93

Chapter 7 - The Single European Market and Its Effect on the World by George M. Vredeveld 111

Chapter 8 - Documents in ERIC on European Unification by Vickie J. Schlene 127

Chapter 9 - Journal Articles in ERIC on European Unification by Vickie J. Schlene 139

Appendices:

European Unification Glossary 149

World Wide Web Sites of Information on European Unification. 151

About the Contributors. 152

Foreword

Steven L. Miller

A Grand Experiment. As Michael Gordon puts it in closing Chapter 2 of this book, "something very important is happening in Europe." But he isn't referring to the tragic and ongoing conflict in Bosnia and Hercegovina. Nor does he mean the Russian attempt to stamp out revolt in Chechnya. Instead, in his chapter he has written of the "March Toward Europe," as Wayne Thompson calls it in Chapter 1—the unification of nearly all of Western Europe encompassing fifteen nations (as listed on the inside cover). Fifteen nations that have voluntarily ceded substantial portions of their respective sovereignties to form a single market, free of restrictions on the flow of people, goods, services, and capital. Fifteen nations that have committed to a monetary union, greater political union, and perhaps eventually common defense and international policies. Fifteen nations that may grow to eighteen or twenty or twenty-five, as the European Union considers accession requests from nations as far flung and diverse as Latvia and Malta. Truly, this is something very important.

The emergence of the European single market in the (then) European Community, followed pell-mell by the creation of the European Union by the Treaty on European Union and the accession of three more nations into the Union, is a story of a grand experiment, just as the U.S. experience is often described. And yet it has been mostly overlooked by the American people, media, and certainly social studies classes. Indeed, as described by Dagmar Kraemer and Manfred Stassen in the Preface, Europe as a whole has paradoxically been neglected in classrooms even as American education has been accused of Eurocentrism.

This inattention is partly due to bad timing for the unfolding events. When one examines the Chronology (inside back cover) it is easy to see that there always seemed to be some more urgent or dramatic event in Europe, as if our collective attention could only focus on a thing or two at a time. In 1985 when the European Council endorsed the plan to create a single market, Mikhail Gorbachev was unveiling glasnost and perestroika. In 1989, as the Madrid European Council endorsed the plan for economic and monetary union, the fall of the Berlin wall overshadowed all other European news and spawned the "velvet revolution" throughout Central and Eastern Europe. The development of the single market by the end of 1992 drew some attention in the business press, but was pushed aside in more general reporting by the continuing crisis in Bosnia and Hercegovina, a story that, along with events in Chechnya, eclipsed the creation of the European Union and the addition of Austria, Finland, and Sweden.

It seems that in many places in the world—in the old Soviet Empire, in Africa, in Asia, even in South America—countries are falling apart under the press of ethnic groups for a national identity, as if there were a global entropy at work. Nonetheless, this grand European experiment in unification has been moving forward, even if we haven't been watching.

Purpose of the Book. And if we were to watch more carefully, how would we make sense of this phenomenon? This question brings us to the central purpose of this book. It is intended to provide educators with the means to observe and teach about the unification process in Europe. It is hoped that, armed with a greater understanding of the relevant concepts and issues, teachers will have more interest in teaching about the European Union and more recent information than their textbooks to do so. Perhaps curriculum developers will be spurred to create some classroom lessons and school districts might include more on the developments in the European Union in their curricula.

It is crucial to understand that the essence of the book, as the title indicates, is on guiding concepts. Events have been unfolding rapidly in the European Union. Specific details and facts may change on a daily basis. The composition of the European Parliament will change; new policies will be adopted; new directives, regulations, and laws will be implemented. The authors of the book have tried to present ideas that will provide enduring perspectives by which to interpret the developing events. So, for instance, Howell Lloyd in Chapter 3 sets the geographic stage by reminding us of the importance of ideas like the core and periphery that affect the development of the Union. Likewise, Richard Gunther's Chapter 4 places the current political institutions of the Union within the context of organizing ideas such as intergovernmental, supranational, and federal forms of government.

Moreover, the book places the emphasis on European unification as an ongoing process. Moore McDowell 's Chapter 5 is a *tour de force* on the economic engine that has been used relentlessly to overcome obstacles. Leon Hurwitz's Chapter 6 provides ideas such as "widening versus deepening" that can help us to understand how issues like further accession into the Union will be played out. In Chapter 7, George Vredeveld focuses squarely on the economic mechanisms that connect unification to the rest of the globe.

Last, Vickie J. Schlene has provided a compendium of resources available to educators to learn and teach about the European Union and the process of unification. Taken together, it is hoped that the book represents a powerful tool to enhance instruction about what historians might one day view as an historical watershed.

Editorial Notes. There are a few editorial remarks that might be helpful to the reader. Throughout the text, we have used European Community (or the Community or the EC) only when the use of the term is clearly an historical reference to the institution predating the Treaty on European Union, which entered force on November 1, 1993. Otherwise, we have used the term European Union (or the Union or the EU). For instance, "the Community" is used almost exclusively in the early part of Wayne Thompson's chapter since it mostly provides the historical development of the Union, focusing on the period when it was the EC. As the preceding demonstrates, it is quite possible to use both terms (EC and EU) in the same sentence. We hope that, given this note and the context, the meaning will be clear. This pattern of usage is in keeping with most contemporary EU publications.

In order not to create further confusion, we have, however, elected to use EU in some contemporary references where EC is still technically correct. This is because some institutions are still legally constituted as EC. For instance, what is commonly referred to as the European Commission (or simply the Commission) is still technically the Commission of the European Communities for some legal purposes under existing treaties. Note that the "European Community" is historically the "European Communities," i.e. plural. As can be seen in the Chronology, the European Communities were formed by the merger of the European Coal and Steel Community (ECSC), the

European Economic Community (EEC) and European Atomic Energy (Euroatom); hence Communities. But in common usage, it is simply the European Community, singular.

Finally, readers will note that the same events have more than one name. For instance, the Treaty on European Union is also commonly referred to as the Maastricht Treaty and the Union Treaty. The single market is known as SEM (single European market), the SEA (Single Europe Act), and Europe, 1992. This last is especially incongruous since the single market was to be completed by the end of 1992, and to some that makes it Europe 1993, the first year when it was to have been fully in effect. We have provided a glossary at the end which might be helpful in sorting some of this out.

Acknowledgements. Exercising editorial privilege, I would like to thank several individuals. First, and foremost, I acknowledge the authors of this volume who waited patiently through rewrites and revisions during successive waves of changes in the EU. There was the Maastricht Treaty which looked at first to be on, then off when the Danish voters rejected it, then on again when the Danes reversed themselves. Next the authors waited when it seemed that four new nations would join the Union. Three did. But, there was a further delay since the fourth, Norway, did not enter the Union when its citizens voted accession down in November of 1994.

My thanks to Richard Remy and the Citizenship Development in a Global Age program of The Ohio State University's Mershon Center, which provided funding for this project, including support for an instructive author's meeting in Brussels. I deeply appreciate the assistance of John Patrick, Director of the ERIC Clearinghouse for Social Studies/Social Science Education at Indiana University, for undertaking this project and keeping it in the queue while European events unfolded. I am especially grateful to Vickie Schlene at ERIC/ChESS for very thorough editorial assistance and formatting under the rush to publication.

Steven L. Miller
Columbus
August, 1995

Preface

Dagmar Kraemer and Manfred Stassen

INTRODUCTION

With the dissolution of the Soviet Empire and the concomitant collapse of its defense pillar and economic structure—as embodied in the Warsaw Pact and COMECON—there are only two regional groupings remaining in Europe to exercise power: the European Union (EU) and the North Atlantic Treaty Organization (NATO). Largely in response to the unanticipated breakup of the Soviet Empire in Eastern Europe, the European Community (EC) reacted swiftly with an ambitious blueprint for economic and political union, known as the Maastricht Treaty. Since it appears that economic strength will ultimately replace military security as the prime measurement of power in the international arena, the role of the EU as a global actor is likely to increase. The Maastricht Treaty stands as an expression of European resolve to act with a unified voice and establish the economic basis for European power.

After reaching a compromise agreement at Maastricht, the statesmen expected unopposed acceptance of the Treaty in several national referenda and effortless confirmation by national parliaments. Instead, the Maastricht negotiators were confounded by the popular disaffection with greater regional integration and confronted by skeptical parliaments. The vision of European unity seemed again blurred by economic turbulence and political uncertainty. At the end of 1992, the "year of Europe," in which the Single European Market was to be implemented, the Community faced its greatest "domestic" challenge since the defeat of the ill-fated European Defense Community (EDC) proposal in 1954.

However, the initial Danish rejection of the Maastricht Treaty (Treaty on European Union) was reversed and objections in Great Britain overcome, and the treaty entered force on November 1, 1993. While the magnitude, the full implications, and the outcome of the continuing process of integration are difficult to predict, it is nevertheless of vital importance for the future of transatlantic relations that the next generation of U.S. citizens be well informed about the complexity and the dynamic nature of European unification. This volume represents a significant contribution toward this objective.

The development of European cooperation, as the following chapters will show, has often taken two steps forward and one step back. Moreover, since its inception, the Union has shown great resilience in weathering crises. Thus, it was quite premature to consider the drive toward unity to be halted indefinitely by the European peoples' initial adverse reaction to "Maastricht." For example, the European (Economic) Union, primarily on the strength of its many benefits for most member states, continued to proceed. Furthermore, one pillar of European cooperation remained unaffected by the divisive debate on European monetary union: the creation of a single European market with 370 million consumers, without barriers to the free flow of goods, investment, and people by 1993. Even the issue of monetary union seems now to be have been resolved by the commitment in the Maastricht Treaty to a single currency.

This preface consists of three parts: in the first part, we shall suggest some possible causes for the present "Euro-pessimism;" in the second part, we shall discuss briefly the perceived "knowledge-deficit" in the U.S. regarding the EC; and in the third, we shall highlight the main themes and arguments presented by the authors of the contributions to this book.

THE DEVELOPMENT OF THE MAASTRICHT TREATY AND POPULAR REACTION

The Maastricht Treaty and Nationalism. The Maastricht Treaty represents the culmination to date of Europe's monumental effort to establish economic and political union through the adoption of common foreign and security policies as well as the creation of a single currency (by 1997 and no later than 1999) and a central European bank by 1999. Unlike the largely uncontroversial Single European Act (SEA), the Maastricht Treaty faced widespread skepticism by experts and a spontaneous, almost visceral aversion by the general public, because it appeared to many European citizens that the measures it stipulates will result in a standardized European super-state run by faceless bureaucrats.

Since the Danish defeat of the Maastricht Treaty in June 1992, public support for greater integration a la Maastricht wavered also in other member states.[1] The narrow victory in the September 1992 French referendum, where a mere 51% voted in favor of adoption, was also indicative of the treaty's lukewarm public support throughout Europe. The political reasons for this popular disaffection with the concept of federalism as the organizing principle in the EU are rather complex.

In the aftermath of the Cold War, and in the face of enormous economic difficulty, Eastern Europe has witnessed a revival of nationalist sentiment. Western Europe, in spite of the undeniable success of the EC, has not been immune to this resurgence of nationalism. A continued recession and an unprecedented wave of immigration fueled demands for nationalist-inspired policies. The national economies of the EC member states were in poor condition, and, as the recent currency crisis has shown, the national economies (and the respective national policies) have grown so disparate that the requirements of Europe's Exchange Rate Mechanism (ERM)[2] could not be met by Britain and Italy. The forced withdrawal of Britain and Italy from the ERM system raised a number of interesting questions concerning Europe's political and monetary future. Depending on the analyst's philosophy, the currency turmoil either proved the necessity of speedy unification or the non-viability of economic union.

The European public witnessed these discussions with great dismay. Unlike any other recent decision of European politicians, the Maastricht Treaty brought home to the average European some of the possible consequences of economic union—not the least of which is the fear of an hegemonically domineering Germany.[3] In particular, the anticipation of "European uniformity" and a concomitant loss of national identities fueled resistance to the terms of the Treaty. The notion of "European uniformity" was coupled with the fear that smaller states may be overwhelmed by a federated European leviathan, in which either bureaucrats in distant Brussels or an economically dominant Germany will determine the course of their domestic affairs.

Waning popular support for European integration and the return to nationalist thinking also stemmed, as some observers suggested, from an often less recognized fear of the unknown and, most importantly, are caused by the absence of a convincing rationale for deeper European integration. On a theoretical and factual level, the concept of regional cooperation is a distinctive form of policy in the international system—distinct from, for example, the traditional balance of power concept—and, in Europe, was closely linked to the existence of a major security threat on the ideological and the military levels. If, indeed, one of the functions of regional integration was the creation of a "bulwark" against Communism, then the disappearance of this threat seemed to deprive the Union of its erstwhile *raison d'etre*.

Moreover, during the Cold War, the European Community was "undisturbed" by the historically backward East, and the traditional East-West economic disparity did not interfere with the rebuilding of Western European power. Instead, the West, with the financial help of the United States and under her ideological prodding, was allowed to flourish and became an increasingly successful economic trading bloc. With the fall of the Wall and the Velvet Revolutions in the East in 1989, Europe witnessed a period of elation: the old dream of a free and democratic Europe, stretching from the Atlantic to the Urals, or even from Lisbon to Vladivostok, seemed within reach. Instead, old ethnic conflicts, long bottled-up by the Cold War, erupted, leading to the partition of the "Eastern" European states and violent strife in the former Yugoslavia. The desire of these newly created states to join the European Union, seemingly a contradiction, is motivated less by supranational yearnings than by the desire "to catch up" with the economically prosperous West.

The European Community, in turn, was not unaffected by the events in the East, most notably by the unification of Germany. French acceptance and support of German unification was closely linked to the notion of "deepening" within the EC, to anchor a united Germany firmly in the West via greater economic and political unity. The move towards "deepening" the Community before new members would be admitted led to the December 1991 conference in Maastricht. The ensuing multilateral contract, the Maastricht Treaty on European Union, while prompted by German unification and the dissolution of the East, was also the outcome of a long process of European reconciliation and unification which developed over nearly five decades. The Maastricht Treaty, in effect, represents a compact which fulfills the mandate of the original Treaty of Rome of 1957, which called upon its signatories to "lay the foundations of an ever closer union among the peoples of Europe."

Problems Were Seen with the Maastricht Treaty. The negotiators at Maastricht, however, failed to inform their constituencies on the merits of the Maastricht Treaty and disregarded the need to dispel the fear that its terms may pose a threat to national sovereignty and identity. The resulting crisis of confidence in the Community leaders, its institutions, and its future was not merely based on "bad perceptions" by the public. Rather, Community institutions and the Maastricht Treaty, in particular, displayed some serious flaws which needed to be remedied before ratification by the national governments could effectively be sought. The first major flaw concerned the Maastricht Treaty's exacerbation of the already existing "democratic deficit" in Community institutions by taking more powers away from national and local **elective** bodies. Secondly, the Treaty was silent on agricultural policy, traditionally the backbone of EC policy, which is of great concern to Europe's powerful lobby of farmers. Thirdly, the principle of "subsidiarity[4]," a potential saving grace of the Treaty, was ambiguous and required clarification. Fourthly, the Treaty did not spell out specific measures to ensure "openness" of the political process, and failed to define the limits of the bureaucracy in Brussels. To influence the next round of the debate, and to create a more favorable climate for the acceptance of the Treaty by the public, political leaders needed to define how greater unity could be achieved without excessive centralization.

Observers identified another equally serious, but perhaps less manageable, problem concerning the significant economic differences among the EC states. Persistent currency crises underscore the enormous task of synchronizing the budget deficits of member states, their government spending programs, and rates of inflation. In anticipation of this difficult endeavor and, in large part, due to the two different philosophies[3] in the EC, the emergence of a "two-speed" Europe has become a distinct possibility. This "two-(or multi-)speed" approach foresees a few core states proceeding toward monetary, political, and social union at a faster pace. Other states with weak economies would be floating on the periphery until they gain enough strength to join the inner "core." In this scenario, the inner "core" would consist of France, Germany, and the Benelux countries, while Britain, Italy, and Denmark would remain at the gates, and the other four member states would occupy the periphery.

The essential flaw of this approach would be the two-class or three-class EU membership that it creates. In addition, the "two-(or multi-)speed" Europe would rely too heavily on Bonn-Paris relations to shoulder the responsibility for the entire EU. Furthermore, this scenario significantly diminishes the political stature and influence of the smaller nations.

Overcoming these problems and the further development of the European Union in the second half of this century thus represent a fascinating case study for students of international relations. Moreover, the economic and political importance of the Union make it imperative that more, and more accessible, expert information on the new Europe is made available to every social studies teacher and student in the United States.

THE IMPLICATIONS OF EUROPEAN INTEGRATION FOR THE U.S.: THE "EUROCENTRIC" CHALLENGE

U.S. Economic Involvement. The degree of the U.S. involvement in the development of European unity—an expression of the U.S. stake in this experience of regional cooperation—is often underrated. Early on after WW II, the U.S. played an important part in European integration. Without Secretary of State George Marshall's European Recovery Program of 1947, which stipulated that American aid was to be administered jointly by the beneficiary states, European integration would have lacked impetus and institutional foundation. Due to American financial assistance, the first postwar multilateral European Agency, the Organization for European Economic Cooperation (OEEC), which evolved into the more familiar Organization for Economic Cooperation and Development (OECD), was created.

Ever since planting this first crucial "seed," the U.S. has been an interested and engaged "out of area" player in the affairs of Europe. The influence, both supportive and at times highly critical, of Europe's transatlantic partner is by and large insufficiently understood on both sides of the ocean. Nonetheless, bound by history, heritage, and a shared commitment to Western values and democratic reform, the United States and the EC strengthened cooperation over the decades and extended it to new areas. Yet, if the premise of economics replacing military might as the measure of power is accepted, the transatlantic relationship and the distribution of power within this relationship will change.

From a purely economic perspective, the stakes of the U.S. in the "United Europe" are indeed significant. With the completion of the internal market by 1999—at the latest—a single currency will be adopted, the so-called ECU (European Currency Unit), which will develop into a global reserve currency, not unlike the dollar or the yen. While a single European currency will translate into more financial clout globally for the EU, it can also benefit American business, because it allows U.S. firms to more reliably predict the future costs of doing business in the EU while eliminating a twelve-fold bureaucracy. The centrality of the EU to the world economic order is further underlined by the business opportunities afforded by a single market: 370 million consumers with a purchasing power of over $4 trillion before further "broadening" to include additional nations. A fully integrated market, free of internal barriers to trade, will thus create new export and investment opportunities for business and could potentially achieve, in some areas, a deeper standard of market liberation than exists in the U.S. itself or on the North-American continent and Mexico as a whole (Ahearn 1992, 177-92).

So far, fears of a "Fortress Europe" have been allayed by assurances that the internal market would not repeat the failures of traditional policies—such as generous state aid, cartellization, and encouragement of mergers and joint ventures—sometimes adopted by individual member states to protect their industries against foreign competition. However, the accelerating economic downturn in Europe will make the establishment of a fiercely competitive market initially more painful than politicians are willing to admit.

Military Security. Apart from the economic consequences and its implications for U.S. business, the emergence of a united Europe is likely to bring about equally significant changes in foreign and defense policy. Although the foreign policy provisions in the Treaty on European Union are deliberately vague and appear more evolutionary in nature, the Treaty does, however, delineate defense objectives and affords the EU the opportunity to undertake foreign policy actions and support them by force.

In this scenario, the Western European Union (WEU) would be strengthened while serving as a bridge between NATO and the EU. Nine Western European member nations of WEU (the United Kingdom, Germany, Denmark, France, the Benelux countries, Spain and Italy) have decided to assign 50,000 troops to WEU including the newly created Franco-German corps. While the mission of the WEU forces was primarily defined in humanitarian and peace-keeping terms, it was indicative of a newly felt urgency to create a joint defense capability independent of NATO. Also underlying the revival of the dormant WEU is the assumption that a U.S. preoccupied with domestic economic and social problems will be more and more inclined to disengage itself from Europe, eventually withdraw her troops, and leave Europe largely unprotected. It remains to be seen whether the creation of a European defense system will precipitate the contingency it pretends to address: the revival of isolationism in the U.S. leading to the withdrawal of American troops and, thus, an unprotected Europe.

Europe, Multiculturalism, and Textbooks. Revolutionary changes in Europe could not have come at a worse time for the United States. Riddled at that time by an economic recession that outlasted the worst predictions, and by a spiraling budget deficit, the United States continues to face a challenge on the ideological home front. The tenets of Western civilization as the sacred foundation of American society have increasingly been called into question. Traditionally marginalized groups—Native Americans, African-Americans, Hispanic-Americans—are demanding greater inclusion of their "story" in the national curriculum and are charging the American college and high school curricula with displaying an inappropriate "Eurocentric bias."

In spite of major technological innovations from satellite learning to CD-ROMs, textbooks remain the foremost instructional media in the classroom. In recognition of its eminent position, a number of educators concerned with the crisis in American education have singled out the textbook as one of the culprits for this "politically incorrect" bias. In the textbook debate, "multiculturalists" level the charge of "Eurocentrism" against the texts, while "traditionalists" deny the legitimacy of the argument, and, instead, claim to detect a systematic "dumbing-down" of the texts through the inclusion of allegedly culturally "irrelevant," distant, and alien material. In the 20th century, however, the western cultural tradition has prevailed over fascism and communism, and helped to spread economic prosperity on a scale unsurpassed in human history.

This volume claims that Europe will assume a renewed importance for U.S. foreign and economic policy in this decade and, perhaps, the next century. One of the ways to take cognizance of Europe's continued relevance is to impart, through the school curriculum, a profile of Europe commensurate with this importance that is meaningful to the ever changing American school population whatever its national or racial origin.

Despite the legitimate claims of non-European ethnic groups in the United States, it is imperative to provide the educators of the new generation on all levels of the educational ladder with the facts, background information, and concepts necessary to grasp the economic challenges and opportunities created by greater European integration. In spite of the increased importance of the transatlantic relationship, post-1945 developments on the European continent (including Britain) are barely covered in the existing books. Instead, the textbooks leave U.S. educators—and their students—unprepared to grasp the Union's pivotal economic status and its impact on the American economy. In most texts, global history after 1945 is reduced to a bi-polar conflict, with the U.S. cast as the unquestioned leader of the West. Combined with the emphasis (and implied preference) on the nation-state as the parameter of national progress, the educators and students are provided with an ill-suited reference for understanding the recent developments and the dynamic character of European supranational cooperation.

It would be unfair, however, to lay the blame for the flawed portrayal of Western Europe on the textbook writers and publishing companies alone. As a number of concerned educators have pointed out, it is the academy itself that has, for the most part, neglected the EU as an object of serious scholarly investigation, or has underestimated EU developments. For example, Charles H. Karelis has charged that:

> *"[T]he importance of these developments has eluded academe, mostly because of the lenses through which it views the world. To the extent that the academic view of Europe is historical, the EC shrinks to an historic blip...And to the extent that the academic view of Europe is cultural, only nations—indeed, only their constituent cultures—are currently visible at all... The area studies movement has been concerned largely with Asia and the developing world" (Karelis 1991, B1-2).*

According to Karelis, the area studies approach would be a more relevant means by which to approach Community progress. Yet, it is also true that an understanding of European progress is not easy to obtain because, as a shrewd observer of European integration has pointed out, ". . . it has always been quite abstract and shrouded in an institutional and linguistic fog that only initiates seem to understand" (Harrison 1992, xxi).

Knowledge of the EU is Vital for U.S. For a number of reasons, the U.S. government has traditionally preferred to deal bilaterally with the nation states of Europe rather than to approach Europe as a unit. In 1990, the Bush administration and the EC signed "The Transatlantic Declaration," which laid down the principles and the framework for EC-U.S. consultation and cooperation in economic, scientific, educational, and cultural fields. It also committed both sides to working together on transnational problems such as terrorism, drugs, and the environment.

While greater public recognition of the EU-U.S. dialogue has ensued, this development needs to be transmitted to the American educators as well. According to a 1990 Gallup poll, the general public appeared quite interested in Community progress and continued U.S.-European cooperation:

- *47% of American adults have "heard or read" about the EC, compared to only 29% in 1987;*

- *73% express support for the integration of Western Europe;*

- *84% would like to receive more information on EC developments via the media;*

- *75% believe that the U.S. should develop a special relationship with the European Community (European Communities delegation to the United States 1992, 24).*

It seems, therefore, to be crucial for the educator to know the facts and command sufficient background knowledge to instruct the next generation. An informed understanding of the EU, present and future, can only be achieved when it is rooted in the knowledge and context of overall EU development. In providing this information from diverse points of view by European and American specialists in the field, this volume represents a valuable contribution to continuing teacher education. As in the case of the changing EU itself, it is a contribution of work-in-progress and can only address the agenda so far agreed upon by the member states: the element of prognosis and speculation is deliberately underdeveloped.

THE EDUCATOR'S CONCEPTUAL GUIDEBOOK ON EUROPEAN UNIFICATION

Historical Perspectives. The first two chapters by Wayne C. Thompson and Michael Gordon provide a theoretical framework with which to approach European integration and an historical account of European Union development. In his overview of the history of European unity from Caesar to the fall of the Soviet Empire, **Wayne C. Thompson** argues that, after 1945, the gradual, functional, and pragmatic approach to European integration proved successful. After the devastating effects of World War II, the idea of unity by force was discredited, and the ground was prepared for this historically unprecedented voluntary pooling of resources between traditional enemies.

In the course of his analysis, Thompson reflects on the extraordinary set of favorable external and internal circumstances that promoted European unity after 1945. In addition to these, the impact of individuals such as Robert Schuman, Jean Monnet, Walter Hallstein, Paul-Henri Spaak, Konrad Adenauer, and Charles DeGaulle (and to this list could have been added Alcide de Gasperi) who significantly influenced the course of European Union history is not to be underestimated. In his investigation of the East-West conflict, Thompson shows links and connections between seemingly isolated events and developments. Patterns of state behavior which are re-surfacing in times of stress can be discerned in different periods of Union development: Britain's refusal to join the ECSC in 1951, the rejection of the EDC by the French National Assembly in 1954, "little Europe's" determination to make unity work, Denmark's narrow support of its continued EC membership in the referendum of 1986, etc. In spite of these setbacks (which, every time, triggered the "re-launching" of Europe), European unity recovered due, in large part, to the fact that international cooperation and coordination had worked, and that economic advantages were on the horizon.

Thompson also tackles the thorny issues of **deepening** (of integration) and **widening** (of EC membership) which constitute the most significant challenge to future European cooperation. After having "broadened" to include Spain and Portugal, the Community, under the leadership of Jacques Delors, in 1987 concluded the Single European Act (SEA) aiming at the completion of a "single market" by the end of 1992. The set date of 1992 also had an important symbolic value, as it asserted Europe's role in the world five centuries after its discovery of the New World. [The SEA is further discussed in Chapter 6, by Leon Hurwitz, on "European Political Transformation and the Future of Europe"].

In Thompson's view, the unforeseen collapse of the Soviet Empire endangered the Community's plan for the free flow of goods, capital, and people by 1993. Westward migration caused by economic distress in the East, and population explosions in northern and western Africa threaten to overwhelm welfare systems in Western Europe and exacerbate social unrest. In this climate, domestic backlashes into provincialism and xenophobia are the result, with right-wing groups of all hues being the political beneficiaries. Thompson's prophetic analysis of post-Cold War Europe has anticipated the current debate in Europe regarding restrictions to liberal immigration and asylum policies. At the time of this writing, his prediction of xenophobia and mild forms of social unrest has been overtaken by reality.

Michael Gordon discusses European unification from the national, European, and global perspectives and offers some tentative assessments of the significance of European integration. In the course of his application of these three distinct perspectives, Gordon also examines the respective theoretical under-pinnings of his analysis.

From a "national" perspective, political disunity is an underlying premise and fundamental quality of European civilization. Thus, European history is interpreted as the cumulative history of individual nation states, and it follows that European integration represents the most decisive break with the past.

The "European" perspective, on the other hand, questions the inevitability of the growth of nation states. The premise of the nation state assumes an identity between state and nation which rarely exists. In addition, nations may not be as distinct and easily recognizable as the theme of national unification suggests. The applicability of the nation state as a viable principle of political organization is particularly doubtful in the case of Eastern Europe. The outlook of this interpretation which asserts the fragility of nation states and treats them more as the result of "historical happenstance" is less assuring. With this perspective in mind (which Gordon appears to favor), the instability and strife in Eastern Europe may appear less as an aberration than as a given. In the West, on the other hand, the internal effects of diminishing national power could lead to a resurgence of regional separatism and ethnic tensions.

Gordon rounds off the picture by placing European integration in a global perspective, and by speculating on the new role of the EU as an economic (and political) superpower after the end of the East-West conflict. He is fully aware of the fact that it is difficult to predict accurately the "significance" of an on-going and contemporary project such as European unification: the ambiguities and uncertainties of the process prevent the political scientist from advancing precise assessments.

Geographic Perspectives. The issue of Union enlargement, far from being merely cumulative, highlights the fundamental geographic disparities between the various European regions. In Chapter 3, the geographical perspective of European unification is provided by **Howell Lloyd**'s analysis of geographic patterns—in culture, physical environs, and regional economic variations. While the geographic variety of Europe constitutes one of its great appeals, it is also responsible for Europe's turbulent history of frequent misunderstandings between its peoples and often violent conflict. It is this variety within relatively short distances, according to Lloyd, that presents a number of obstacles to the realization of a truly integrated Europe.

Among the four major physiographic regions—Caledonian Europe, the Great North European Plain, Hercynian Europe, and Alpine Europe—the most favorable conditions are to be found in the North European Plain which harbors Europe's most extensive fossil fuel reserves, as well as the greatest clustering of population, industry and urban centers, and highest density of transport networks. The positive physiographic qualities of the North European Plain are also reinforced by a favorable climate and the absence of physical barriers. The peripheries of Europe, especially the Mediterranean south and the far north, on the other hand, are regions subject to less favorable climactic and environmental factors and, therefore, display more limited economic possibilities.

The natural environment of the North European Plain has also been the most supportive of agricultural exploitation: the area from western and northern France across Belgium, southern

England, the Netherlands, and Germany represents the most continuous zone of high agricultural fertility in Western Europe. Dependent on accessible coal, the industrial revolution further reinforced the advantage of Britain, Belgium, and Germany. Harboring Western Europe's major coal deposits, these states, together with Luxembourg and later France, emerged as the dominant states in basic industrial development at the beginning of the twentieth century. This situation created an urbanized heavy industrial core for Europe, the so-called "economic engine," whereas the northern, western, and southern margins remained more agricultural. Even in light of the declining importance of traditional resources and the rise of "foot-loose" and high technology industries, Lloyd detects a continued relevance of those locations where industrial activity originated: The largest and most affluent markets, the most efficient transport systems, the greater sources of investment capital, the most educated and skilled populations are still to be found on the North European Plain.

One of the major tasks of the EU has been the reduction in regional economic differences (which Lloyd terms the "core-periphery dichotomy") with the help of generous economic assistance. With the admission to the EC of Greece in 1981 and Spain and Portugal in 1986, another spatial socio-economic dichotomy has evolved and, as a consequence, the proportion of peripheral regions in the aid-eligible category has increased substantially.

Lloyd discusses these "North-South" and "Core-Periphery" regional variations within the EU in terms of Gross Domestic Product and unemployment. Although the EU has undertaken extensive efforts to promote the development and structural adjustment of underdeveloped regions, the disparities between the different regions continue to persist, posing an exorbitant challenge to integration. Given the persistent "core" vs. "periphery" disparities, combined with the continued advantage that the North European Plain enjoys (in terms of factors of production), the notion of a "two-track" Europe, or a Europe of concentric circles, appears a more likely outcome than EU politicians want to admit. Furthermore, the fall of the Iron Curtain has prompted membership requests from Eastern European states such as Poland, Hungary, and the Czech Republic which adds a potential "Eastern" or "East-Central" European dimension to the current regional disparities.

EU Institutions and Integration. A frequently voiced complaint in the debate on the Maastricht Treaty concerned the alleged "democratic deficit" inherent in the EC structure that the Treaty initially left unaddressed. **Richard Gunther**'s chapter "The Political Institutions of the European Union" offers an analysis of the Union's political institutions and their interactions with the governments of the member states. In a political body highly dependent on institutional structure, only such a thorough treatment of its labyrinthine hierarchy will yield an informed understanding of the process of decision and policy making within the EU. Due to the evolving nature of governmental relationships, it is often difficult to portray adequately the role filled by key institutions in the policy making process. Nonetheless, in spite of the fact that the scope of Union activities continues to influence the distribution of power within political institutions as well as their policy-making function, the formal structures of these institutions have been relatively stable.

At the heart of EU progress is the structure of the decision-making process. The author places his discussion of the six different Union institutions in the context of functional and neofunctional theory. Federalism with its premise of outright abandonment of sovereignty (at the beginning of the process) was not viable because it assumed complete unanimity regarding the ultimate goal of establishing a federal system. The dissenting voice of a single national leader would immediately halt the federalist integration process.

Therefore, proponents of European integration opted for "integration on the installment plan" and embraced a less dramatic but more workable incremental, functional approach. The theory of functionalism assumes the gradual transfer of governmental authority to the international institutions demanding only that participating states cooperate with each other until cooperative habits have created patterns of social interaction across boundaries. Neofunctionalism added relevant conditions to the success of this integrative effort. Among these, the two most important require that the participating states have complementary economies (and polities) and that a supranational bureaucracy be established with individual political leaders. These political leaders would, out of institutional self-interest, serve as facilitator to induce member states to relinquish ever greater levels of government authority.

Community institutions, such as the Commission and its 20 Commissioners, represent, at the most obvious level, this kind of supranational bureaucracy: once selected by their respective national governments and appointed by the Council of Ministers, the Commissioners cannot be removed from office by their national governments. According to neofunctionalist theory, these technocrats, having internalized norms of cooperation, initiate new policies and mobilize public pressure for the cause of integration.

The rapid progress in cooperation throughout the 1950s and early 1960 was largely due to the smooth working of four processes, identified as "spill-over," "log-rolling", "package-dealing," and "actor-socialization" mechanisms. The 1970s and the early 1980s witnessed "turbulent fields", a term used to describe a disruption in the incremental-bureaucratic processes which assume a key role in neofunctionalist theory. These disruptions can be rooted in the opposition of national political leaders (DeGaulle, Thatcher) to giving up sovereignty or are caused by an international economic crisis such as the oil crisis in 1973-75.

In this context, Gunther discusses "intergovernmental institutionalism," a theoretical framework which emphasizes the importance of national political leaders and their policy commitments as engines of Union integration. The SEA and the Maastricht Treaty are cases in point: without the personal commitment of Francois Mitterrand and Helmut Kohl, these agreements would not have been initiated or successfully concluded.

In his overview of the functions and tasks of EU institutions, Gunther recognizes that the European parliament, unlike other parliaments in democratic regimes, lacks one important function—"the recruitment of governing elites." Significantly, the EU's decision-making body, the Council of Ministers, is not responsible to the Parliament. The other arm of government, the Commission, can only be removed from office *en bloc* (the removal of individual Commissioners not being an option) by a two-thirds majority—a motion to date never applied.

Policy processes in the EU involve extraordinary efforts to establish a "dialogue—between public and private sector groups, between Union and national institutions, and among EU institutions themselves"—with the objective of building consensus. It is important to remember at this juncture that, due to the requirement of consensus, no single state can impose a policy.

Economic Perspective. Moore McDowell provides a detailed picture of the external and internal economic policies of the EU. In particular, the author takes a wide-ranging look at the implications of the 1992 Program and the challenges ahead regarding the implementation of economic and monetary union, well cognizant of the fact that economic integration has been at the heart of the European integration process to date.

With a short glossary at the beginning of his chapter, McDowell provides a handy reference of terms employed in the scholarly discourse on economic integration. In his examination of the different stages of economic integration, the author poses a number of interesting questions: If the logic of economic integration propels the member states to move forward to ever higher levels of economic cooperation, does it follow that the progression is inevitable? Or can this progress be halted and a compromise adopted to reconcile the allegedly different national objectives and economic agendas? In light of the dissent regarding the desirability of a full-fledged economic union and the so-called "two-track" Europe as an alternative, this issue is of particular relevance. Concerning the inevitability of economic unification, McDowell reminds us that the experts' opinions are mixed. Past experience seems to confirm that problems, arising at any given stage in the integration process, can be solved by proceeding to the next stage. In this scenario, the failure to move to the next stage can put the whole integration process at risk, because the pressures to solve the problem will have become too strong.

Economic theory assumes that increasing trade increases overall economic welfare. Not only does increasing trade between states raise the real incomes of the participating states, but it also allows for the factors of production (labor, capital, machines) to be used more efficiently. The more efficient use of the means of production and the subsequent reorganization of production has three separate effects, identified by McDowell as the gains from "Specialization," "Economies of Scale," and "Competition."

In the evaluation of EU development, the first important measure concerns the issue of "trade creation" and "trade diversion" achieved or caused by integration. The line between the two cannot always be drawn easily. Here, as in other cases, the analyst can only arrive at an informed estimate as to what the pattern of trade would be without integration and, likewise, what it will be with increased integration. In its first ten years, McDowell suggests, the EC created three- or four-fold more trade than it diverted. The issue of income equalization through economic integration is less clear-cut. While it appears that, after 30 years of Union cooperation, differences in net income per head have been reduced, substantial inter-country, and even inter-regional, disparities continue to exist.

McDowell predicts that, in the next decade and beyond, environmental and social policy issues will gain in importance and provide the basis and rationale for collective action. Furthermore, the concept of subsidiarity, which stipulates maximal devolution of decision-making at the national and regional levels, will be applied and find entry into subsequent treaties toward economic union.

The implementation problems generated by the internal market are likely to involve the issue of tax harmonization, and most importantly, the issue of economic and monetary union. According to McDowell, "the high degree of integration involved in a genuine common market cannot be sustained for long without an economic union, and an economic union is difficult to envision without a monetary union." A single monetary area calls for one community-wide fiscal policy: inflation rates and the level of deficit finance, at present widely divergent in the EU, must first be brought in line to allow for a uniform fiscal policy for all member states.

Political Transformation. In his chapter on European political transformation and the future of Europe, **Leon Hurwitz** introduces three distinct conceptual approaches to political unification and subsequently explores the implications of the Single European Act for the individual. Furthermore, Hurwitz examines the unresolved issues concerning a common foreign policy, the democratic deficit, and the "widening-deepening" question.

With the Single European Act (SEA), the EC had taken the offensive to overcome political fragmentation and achieve the abolition of physical, technical, legal, fiscal, and societal barriers to full free trade and movement of people, goods, services, and capital. According to Hurwitz, the envisioned economic and psychological benefits of this undertaking are enormous. SEA also changed the decision-making and implementation processes within the Community; on all issues concerning the completion of the internal market, SEA called for qualified majority voting. While it proved difficult to implement all required measures by December 31, 1992, the regulations and directives which have been already "transposed" or "translated" by the national parliaments are now part of the EU-wide codes and, therefore, irreversible.

The completion of the internal market have significant implications in the four areas of freedom to move, freedom to work, freedom to purchase certain goods, and freedom to receive information. In order to counter the threat of transnational crime—connected with the unchecked movement of arms, illegal immigrants, drugs, terrorism, and transnational financial fraud—the EU must harmonize the disparate national policies regarding visas, immigration, and the right to asylum. Similarly, a multinational and highly effective police force (whose powers would have to go far beyond those of INTERPOL) will be necessary. The potential for increased police control and the subsequent loss of freedoms for the citizens must be balanced against the concern for effectively combatting the rise in international crime.

The "freedom to work" clause touches upon such highly sensitive matters as national pride, cultural traditions, and educational institutions. For Hurwitz, the main obstacle evolves from differences in educational philosophies among member states and the resulting different national approaches to education and licensing standards. Consequently, diplomas and certificates from one member state, despite tremendous progress achieved over the past two decades, are not always recognized in other member states. The Community's harmonizing directive permitting architects to practice EC-wide, for example, took seventeen years to be developed.

Although the "freedom to purchase" rule may seem less controversial, it nevertheless affects cultural sensitivities which are often difficult to overcome. Under the guise of "health" or "safety" concerns, national governments have erected—and indeed continue to erect—barriers to trade: the prohibition of the sale of foreign and allegedly "impure" beer (by strict Bavarian standards dating from the 16th century!) in Germany comes to mind, as well as the Italian government's refusal to import pasta not made from durum wheat. Community efforts at harmonization were not well received by the European public which tends to view standardization as interference from Brussels' bureaucrats aiming to create tasteless, indistinguishable Europroducts. In spite of the Commission's renunciation of strict standardization and other efforts to appease the public, the Germans and the Italians still believe, respectively, that beer with additives and soft wheat pasta represent a contradiction in terms.

The "freedom to receive information" rule can have profound implications. In Ireland, for example, courts ruled that the constitutional "right to life of the unborn" clause included the prohibition to disseminate information about the availability of legal abortions in other EC member states to Irish nationals.

Hurwitz interprets the resistance to the four "freedoms" outlined above as an indication that the EU has been overly-ambitious and overly-optimistic in its stated timetable. His examples are also valuable reminders of the continued sensitivity of national images and historically developed belief-systems. While the objectives of the single unified market will eventually be solved, more time is needed in light of the many obstacles.

Regarding other still unresolved issues, the absence of a common foreign policy and the lack of unity in this area is noteworthy. This fact, combined with the slow decision-making process of the EU, and the requirement of unanimity in foreign policy matters, make Europe an unlikely equal "partner in leadership" for the United States. It is, therefore, not surprising that the U.S., for the most part, ignores Europe and acts as she sees fit. For Hurwitz, European "political cooperation" appears more as "an excuse for inaction" than a viable factor to reckon with in global affairs.

Union enlargement, for Hurwitz, is highly problematic on various accounts. In the case of Turkey's prospect for EU membership, traditional (and unresolved) hostility between the EU-member Greece and Turkey precludes admission. Secondly, apart from France which works closely with NATO, the only non-NATO member in the Community was Ireland until Sweden, Finland, and Austria were admitted. With the potential admission of Switzerland, or former Warsaw Pact members such as Poland, the Czech Republic, Hungary, and even Estonia, Latvia, and Lithuania, the outlook on defense of the EU would be expected to shift. Thirdly, enlargement would give small states such as Malta and Cyprus a strong voice in the Council of Ministers where each state has an equal vote. The alternative, a reduced role of these smaller states would amount to a two-class EU of "real members" and "quasi-members" with less political weight. Furthermore, with the Turkish membership, a "non-European" ethnicity based on Islamic culture would enter the Union and probably alter the EU's current Western outlook.

The Single European Market and Its Effect on the World. The last chapter in this volume addresses the effects of the Single European Market (SEM) on international economic relations. In his evaluation of the external effects of the SEM, **George M. Vredeveld** has taken the present external trade relationships and the history of past Community "behavior" as yardstick to predict the probable impact of the SEM on the rest of the world—particularly the United States.

Developments in the EU touch on American interests in a variety of ways. Apart from the existence of extensive trade between the U.S. and the EU, American firms have invested heavily into the EU and vice versa. The U.S. is the largest bilateral trading partner of the EU. According to Vredeveld: "The EU is now the recipient of nearly 40% of all direct U.S. investment which is considerably higher than the 18% it received in 1960. The share of EU direct foreign investment that goes to the United States is nearly 60%." Due to this cross-investment and the supportive American stance vis-a-vis European integration, the U.S. and the European Union are intertwined by powerful economic and political ties.

With regard to the rules and regulations defining EU's trade relationship with the outside world, the General Agreement on Tariffs and Trade (GATT) has served as a major vehicle to promote a system characterized by free trade and reduced tariffs, non-discrimination, and multilateral reciprocity. GATT, on the other hand, grants many exceptions to these principles, as is evident in the manifold preferential trading agreements that the EC had established with outside states. In fact, only a very few states are subjected to the EU's common external tariff (CET).

The non-discrimination principle (Article 58), the reciprocity and mutual advantage principle (Article 18), and the intention to abolish restrictions on international trade (Article 110) are also codified in the EEC Treaty. While these official principles indicate a commitment to liberal trade policy, Vredeveld calls attention to the different actual EU policies which imply a different philosophy. The EEC Treaty, for example, and EU law provide the member states with a variety of protective loopholes, such as the right to establish import quotas on specific products, the right to initiate anti-dumping proceedings against non-market economy states, and the rule of origin and local content which is open to wide interpretation by the European Commission.

Among the protective measures, none has troubled U.S. trade more than the EC's Common Agricultural Policy (CAP). CAP insured that agricultural products were sold at specified, artificial price levels that are often twice as high as competitive market prices. Furthermore, imported, non-EC agricultural products were heavily taxed to inflate prices to the set price level. On the international market, CAP policy undercut world prices because non-subsidized agricultural products from non-EC states were at a distinct disadvantage in competing with the EC for buyers. It is therefore no surprise that of all American GATT complaints vis-a-vis the EC, 80% were related to agriculture.

As Japanese and European producers have increasingly begun to challenge American producers, the international environment has become more competitive and dynamic. At the same time, the major industrial nations have resorted to more non-tariff barriers to trade and also started to strengthen their respective regional trading blocs. As a consequence, speculation has centered on the eventual creation of three major trading blocs in the world, in preparation of what could turn out to be devastating trade wars.

Regarding the prospect of a so-called "Fortress Europe"—a Europe with a strong unified internal market and high trade barriers that deter extra-Union imports—Vredeveld is cautiously optimistic. On the other hand, the Commission has enough flexibility to resort at any time to a restrictive interpretation of existing rules and regulations which would drastically affect access to the internal market. At present, it seems useful, however, to base predictions on future Union behavior on its past record, and in this context a "liberal" future EU appears most likely.

Vredeveld foresees disproportionate effects of the Single European Market on Japan and on the U.S. Japan is less prone to benefitting from the increased "income effect" generated by SEM and harmonization because, compared to the U.S., it does not show significant investment in EU states and has remained relatively distant from EU development throughout. According to Vredeveld, "one of the motivating factors behind the unification program was that it would enable the EU to assert its interests more strongly in its relations with Japan—historically a highly protected market." It is less certain how Central and Eastern European states will be affected by SEM.

For the less and least developed states, the gains from SEM are, at best, modest. Moreover, these states will be in no position to retaliate should the EU adopt protectionist policies. Vredeveld considers the overall impact of SEM on the world economic order highly significant, as it will not fail to enhance the EU leadership role in world affairs. SEM benefit to the rest of the world will depend on its internal success and the way the EU resolves some of the crucial economic and political issues discussed in this volume. Concerning heightened U.S.-EC-Japan economic competition or the creation of a "triumvirate" for global economic hegemony, Vredeveld considers an emergence of a Washington-Brussels partnership likely, "because Americans and Europeans share a similar vision of the design and direction of the world trading and competition system."

CONCLUSION

It is no accident, but rather a consequence of the editor's recognition of the inner logic of European integration, that this volume does not contain a chapter on culture. Despite all the impetus toward harmonization, standardization, and integration that the Eurocrats have exhibited in the past decades, the architects of a united Europe have wisely recognized one of Europe's greatest assets and lasting legacies to the world to be its cultural diversity. There is a common cultural heritage and patrimony to be jointly treasured, but the diverse contents of this treasure, including a rich and colorful linguistic variety, are not only not to be given up to an amorphous European museum—or to the functionalist hegemony of the English language—but they represent the strength of the European regions and cities which, in their impressive revival in recent years, and in their increased transnational cooperation on matters of immediate human concern, will perhaps be the only viable counterweight to the equally unavoidable and unloved supranational form of governance.

As the North American Free Trade Agreement (NAFTA) enters into its third year, educators and students of the social sciences and of international relations may look for guidance and/or take solace in the chapters of this book. They tell the story of a challenge for the old continent of Europe, and of the promise of a lofty goal to be achieved in the foreseeable future, after centuries of divisiveness and division. But they also tell the story of the extremely arduous road to get there.

Endnotes

1. The greater than 2-to-1 Irish vote favoring the Treaty appears less impressive upon considering that Ireland receives $6 from the Community for every $1 it contributes.

2. The European Exchange Rate Mechanism establishes trading ranges within which national currencies can float. ERM requires its members to keep the value of their currencies within 2.5% of a fixed relationship to the value of its strongest money. The system has been considered a key factor of economic stability and prosperity in Europe, as well as a prerequisite for economic union.

3. The German mark is the strongest currency in the ERM. As a consequence all other EMS currencies are tied to the performance of the German mark. The German government's handling of the costs of German unification resorting to massive borrowing rather than raising taxes prompted the German Bundesbank to raise interest rates to curb inflation. Germany's tight money policy poses problems for Europe's weaker economies which, in the absence of ERM, would resort to low interest rates to stimulate their economies during recessionary cycles.

4. The concept of subsidiarity provides that actions be taken at the most appropriate level. This usually means that as many decisions as possible be left to individual countries. In short: The EU should not interfere in matters handled best by member states (comparable to the 10th Amendment in the American Constitution).

5. Denmark and Britain, two "late-comers" to the Community, have traditionally advocated a cautious approach to European unification and, on a political plane, have preferred a loose federation of European states to a federated Europe. France, Germany, and the Benelux countries have traditionally shown greater enthusiasm for the idea of a united Europe.

6. For the representation of Europe in U.S. textbooks see Dagmar Kraemer and Manfred Stassen, *Europe in U.S. Social Studies Textbooks and Teaching Materials*, Washington, D.C., 1992. Microfiche and hard copy reproductions are available through the ERIC Document Reproduction Service, 7420 Fullerton Rd., Suite 110, Springfield, VA 22153-2852.

7. For the text of the declaration, see *A Guide to the European Community*, pp 27-8.

8. The issue of continued interregional disparities in terms of net income per head and wages by occupation is also addressed in Chapter 5 by Moore McDowell, "Economic Evolution of the European Union."

9. Since the middle of the 1970s, the EC has systematically developed mechanisms for the enhancement of intra-European academic mobility and the recognition of certificates and diplomas. See Manfred Stassen (ed.), *Higher Education in the European Community - A Handbook for Students*, ff.

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Chapter 1

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HISTORY OF EUROPEAN INTEGRATION

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Wayne C. Thompson

Chapter 1

History of European Integration

Wayne C. Thompson

THE HISTORICAL ROOTS OF THE IDEA OF EUROPE

Introduction. The idea of a united Europe is centuries old, but not until after the most destructive war known to man did it become reality. The process of European integration required patience. After 1945 it did not come quickly, easily, or completely; optimism ebbed and flowed. Indeed, the approach which proved most feasible was gradual, step-by-step, pragmatic, functional, and sectoral. It was immensely complex, and many diverse interests, fears, animosities, dreams, traditions, and personalities were involved. To be entrusted with supranational powers and to succeed, any integrated European community had to satisfy the national aspirations and interests of each member state. The entire march toward unity was subject to dynamic external and internal environments, heavily influenced by threats, invasions, *coups d'état*, colonial wars, domestic elections, and the presence in the political arena of far-sighted individuals who had the skill, persuasiveness, and tenacity to see it through. Global politics could not be separated from European politics. America's deep involvement during the first postwar decade revealed how closely its destiny and interests were and are linked with those of Europe.

Early History. The idea of European unity is more than two thousand years old. Julius Caesar's invasions and conquests of France, southwestern Germany, the Lowlands, and England extended Roman rule beyond southern Europe. During four centuries most of Europe lived within the political, legal, and economic framework of the Roman Empire, which finally collapsed in 476 A.D.

The banner of universality was retrieved by Charlemagne. In 768 he ascended to the throne of a far-flung Frankish empire, extending from northwestern Europe south to Rome and from Hungary to northern Spain. He was a leader of extraordinary qualities who spent half his time in the saddle holding his vast territory together. It survived only a few years after his death in 814 and was divided in 817. After bitter and complicated inheritance quarrels, two realms faced each other along roughly the same line as the present border between Germany and France.

The symbolism of European unity was preserved in the eastern Franconian realm, which became the German Empire in 911. In this case, the term "empire" is misleading since it connotes a centralized unified power. Many heads of local states and independent cities actually ruled. By the eleventh century they had collectively become a power in Europe and claimed the title "Roman Empire." In the thirteenth century this was dignified to "Holy Roman Empire," and in the fifteenth century "Holy Roman Empire of the German Nation." The reach and power of this empire expanded and contracted, and there was no capital city. The emperor was elected by the highest nobility, and the major and minor nobility met infrequently in an imperial diet called the *Reichstag*, to which the emperor had to turn if he wanted to conduct a war or increase his revenues.

The emperors focused their attention far beyond what is now the German-speaking world, particularly on Italy. In 962 the Pope crowned the Saxon King Otto I emperor in St. Peter's Cathedral in Rome, a tradition which would last over 500 years. This unique privilege, which was bestowed on no other ruler, gave the German Empire a universalistic claim to rule over the entire Western world as the protector of Christianity. This claim never became reality. The emperors' attention became so fixed on Italy that the last Staufen emperor, Friedrich II, tried to rule his enormous realm from Sicily. But within a few years after his death in 1250, the emperors could no longer pretend to control large areas outside Germany. They had lost much of their power and influence within Germany as well. From the thirteenth century on, the parts of the empire predominated over the whole. After 1438 the imperial crown practically became the sole possession of the Austrian House of Habsburg.

For centuries Europe was fragmented. Only the Roman Catholic Church served as a unifying force, providing one religion, one language—Latin, and a common civilization over most of the continent. It preserved a common body of knowledge and way of looking at the world, and it sought to mediate political disputes. It organized a series of Crusades against the threat of Islam emanating from the Middle East. The first book on European federation, *On the Reconquest of the Holy Land*, published in 1306 by Pierre Dubois, advocated making the French King chairman of a permanent council of princes, which would appoint a supreme court to mediate conflicts in Europe. This book inspired the King of Bohemia, George of Podebrad, to call for European integration to stem the Turkish invasions.

Idealistic plans to replace conflict with cooperation among states resurfaced periodically. Most were inspired by Christian beliefs, such as the Duc de Sully's "Grand Design" for a "most Christian Council" in Europe, proposed during the reign of Henri IV in France. This Council was to be supported by a European peace-keeping army. Later, in 1712, the Catholic Abbé de Saint Pierre called on European rulers to establish a European senate in which decisions would be made by majority vote. In 1794, during the aftermath of the French Revolution, German philosopher Immanuel Kant argued in *Perpetual Peace* that the establishment of republican government throughout Europe would create homogeneity and the best balance of peace and stability in the system of states. A few years later, the Englishman Edmund Burke pointed in his *Letters on a Regicide Peace* to the obvious cultural similarities in Europe which could be the basis for political, economic, and cultural integration.

Nationalism on the Rise. The "Holy Roman Empire of the German Nation" continued to lead a moribund existence until 1806, when it fell victim to a conqueror who sought to establish a form of European unity based on the ideas of the French Revolution and on the bayonets of France's Grand Army. Europeans viewed Napoleon as the very embodiment of the Revolution, and he carried its ideals to every corner of Europe. These principles of "liberty, equality, fraternity" were among his most effective weapons. He was a great military leader who in a series of campaigns sought to pacify Europe under French leadership. By 1806 French domination extended from Holland and the German North Sea coast to the Illyrian Provinces along the east coast of the Adriatic Sea. Italy was completely under French control, and some territories, including Rome itself, were annexed to France.

Napoleon's very successes helped bring about his downfall. French preeminence showed the strength of the modern nation, and Napoleon's invasions stimulated nationalism outside France.

Other governments felt compelled to imitate France by introducing popular reforms and raising citizen armies. Soon Napoleon faced opposition, not just from hostile governments and ruling groups, but from entire nations in Europe.

After his fall in 1815, nationalist self-interest and ambitions continued to flourish. The Prussian philosopher Friedrich Hegel and many romantics viewed the nation-state as the best instrument for developing a people's genius. European liberals regarded a powerful centralized state as the best tool against the conservative ideas of ruling princes. Most socialists worked within national movements and pursued national goals, even though Karl Marx had argued that working-class solidarity sprang over national borders and made the nation-states irrelevant. Italy and Germany became unified in 1861 and 1871 respectively, and a restless Germany began seeking its "place in the sun." Nationalism weakened beyond salvation the polyglot Ottoman and Habsburg empires. Thus, the nineteenth century left a legacy of assertive nationalism, exaggerated patriotism, and military force to achieve political goals. By the outbreak of the First World War in 1914, the triumph of the nation-state was complete.

WORLD WAR AND THE IDEA OF EUROPE

The First World War. When Austrian Archduke Franz Ferdinand was assassinated in Sarajevo on June 28, 1914, Europe was divided into hostile military alliances, with no European institutions to bridge the trench between them or to help manage the crisis. Crowds in all belligerent countries greeted the outbreak of war with a gaiety which is usually reserved for carnival time. Trainloads of enthusiastic French troops left their hometowns in railroad cars with the words *à Berlin* ("to Berlin"). Many French viewed the war as an opportunity to avenge the dismal defeat of 1870 and recover the "lost provinces," Alsace and Lorraine, taken by Germany.

Two million German, over a million French, a million British, a million Austrian, a half million Italian, and countless Russian soldiers were to perish in the four-year bloodletting which followed. The war in the West soon became bogged down in the trenches, interrupted periodically by futile mass frontal assaults. Colonel de Grandmaison's axiom that "there is no such thing as an excessive offensive," produced untold carnage on battlefields such as Verdun, where a half million soldiers were slaughtered in the spring of 1916. A young second lieutenant named Charles de Gaulle, who was wounded and sent to a German prisoner-of-war camp for two years, noted: "It appeared in the wink of an eye that all the virtue in the world could not prevail against superior firepower." Novelist Jules Romains described the senseless dying in his book, *Verdun*: "Men in the mass are seen to be like a school of fish or cloud of locusts swarming to destruction. The individual man is less than nothing—certainly not worth worrying about." One cannot easily forget the lines which the poet John McCrae wrote after visiting a battlefield: "In Flanders fields the poppies blow between the crosses, row by row..." (Thompson 1995, 38, 161).

The war stimulated thinking on how a more unified Europe could prevent such carnage in the future. In 1915 a well-known German liberal journalist, Friedrich Naumann, employing an idea which had existed in the German-speaking world for more than a century, published a sensational book, *Mitteleuropa* (Central Europe), which by 1917 had sold more than 137,000 copies. The book's popularity stemmed from the idealism of Naumann, who hoped to direct German nationalism into new channels. He advocated a federation of Central European peoples to include Germans, Hungarians, Slavs, Rumanians, and others, not an empire dominated by a single nation-state. Such a community of states and peoples with common institutions could be economically advantageous to all European peoples and enable Central Europe to resist the pressures of the great world empires, Russia and Britain. He stressed that its creation would require a complete reorientation of thinking. Narrow nationalism and mutual distrust would have to be replaced by a more liberal understanding of foreign ways and interests and by a mutual readiness to cooperate. Only then could a better and freer future for Europe and Germany emerge from the war (Meyer 1955, 194-215; Thompson 1980, 104).

Naumann was not the only German thinking in these terms. Kurt Riezler, a young adviser to the German chancellor, was able to propose such a possibility in the highest governing circles. The problem was that his views were centered too much on satisfying the power interests of one nation—Germany. In Riezler's 1914 "September Program," establishing provisional war aims, his most important recommendation was a "middle European economic union....It is to be created...by common customs agreements and is to include France, Belgium, Holland, Denmark, Austria-Hungary, and perhaps also Italy, Sweden and Norway." There would be no constitutional head, and all members would outwardly enjoy equality of rights. But then came the catch: *De facto*, all would be under German leadership, which would rule indirectly under the guise of equality: "this union must stabilize the economic predominance of Germany over *Mitteleuropa*." It was directed against both Britain and Russia: "Either Europe perishes, or a Central European imperialism with a soft touch develops." In his diary he was frank about the goal: "I always work toward German domination over *Mitteleuropa* and over all the small states under the pretense of a Central European confederation but without any sacrifices of German power."

Riezler realized that a great idea would be needed to hold this community of nations together, but that was the greatest weakness of his conception. As he wrote in his diary: "The people today do not have a single idea which corresponds to the greatness of the time." There was nothing about the "German idea" (or the "ideas of 1914," as German propagandists called it at the time) that appealed to other Europeans. This form of European unity rested on a chimera. The hollowness of the "German idea," German treatment of occupied peoples, a highly unfavorable diplomatic situation, and insurmountable domestic opposition rendered such a middle course impossible. Riezler recognized that his countrymen had not mastered what he called the "modern means to power," namely the art of ruling indirectly and by appearances. He noted ruefully in 1917 that the "noble attempt" to protect Germany by establishing indirect German hegemony over Central Europe "merely shows that an examination for a senior had been given to a sophomore" (Thompson 1980, 96-128).

The Interwar Years. The war destroyed the old Europe, and what could be pieced back together collapsed a mere two decades later. Some Europeans emerged from the war thirsty for revenge and the chance to re-fight it. Others had been converted into militant pacifists. French novelist Roger Martin du Gard wrote to a friend in the 1930s: "I am hard as steel for neutrality. My principle: anything, rather than war! Anything, anything! Even fascism in Spain...even fascism in France!...Anything: Hitler rather than war!" (Thompson 1995, 161) A state of mind jelled which prepared France for defeat in the next war. As noble as it may seem, pacifism may play into the hands of the world's bullies, as France was soon to see. The revulsion against war prompted still other Europeans to draw more creative conclusions: to contemplate forms of international cooperation which would make war impossible.

The most visible innovation was the League of Nations, a brainchild of Woodrow Wilson. This became primarily a European organization after the U.S. Senate refused to ratify American membership. This attempt to create a collective security arrangement that could resolve disputes peacefully had a poor beginning at the Versailles Conference. In contrast to all previous peace settlements in Europe, the vanquished (in this case the Germans) were not included in the negotiations. If they had been, perhaps they would have felt some responsibility for the Treaty. As it was, it represented a dictated peace to which the

Germans never felt any moral obligation. It had a strong whiff of "victor's justice." Germany was treated as a pariah and was not permitted to join as an equal partner in a common constructive effort to create a new Europe.

Prior to America's entry into the conflict in April 1917, President Wilson had proposed a "peace without victory" and later issued a proclamation containing "Fourteen Points" as a basis for European peace. The Germans accepted this text after the defeat, and they especially liked the ringing call for self-determination of all peoples, which would presumably include the Germans themselves. But at Versailles, Wilson's Fourteen Points faded into the background as French Prime Minister Georges Clemenceau virtually dictated to Germany the terms of a vengeful peace.

The settlement redrew boundaries in Europe, leaving a fourth of Eastern European minorities in larger nation-states. It whittled away at the territory of defeated countries, especially Germany and Austria, thus fueling dangerous irredentist pressures. As Germany's Chancellor Philip Scheidemann said to the National Assembly in 1919, "which hand would not wither up which put itself and us into these bonds?" The treaty not only helped create a deep division in German society, but it seriously hampered the normalization of Germany's relations with the outside world. It could only be maintained by force, but the U.S. quickly withdrew from Europe's military affairs, and Britain and France gradually lost the will to enforce it energetically. One day a spellbinding demagogue would be able to untie the "fetters of Versailles" right before the eyes of a weary and lethargic Europe and reap much applause within Germany for this.

The League of Nations, which Germany was later permitted to join, proved to be powerless to prevent conflict. It was created by nation-states to serve their own interests, and they were unwilling to relinquish any of their national sovereignty to it. Without supranational authority, any nation could block an initiative which it did not like. It was paralyzed from the very beginning. No one saw this more clearly than the League's deputy general secretary, Jean Monnet, an exasperated young French economist who became convinced that only a truly supranational European organization could eliminate the root causes of war and serve European, as opposed to national, interests.

He wrote in his *Memoirs:* "I realized the shortcomings of the League Covenant....The veto was at once the cause and the symbol of this inability to go beyond national self-interest. But it was no more than the expression of much deeper deadlocks, often unacknowledged. Britain's policy was to seek a balance of power on the continent; France wanted to dominate it; Germany, if not already *revanchiste*, was maneuvering to loosen the constraints upon her." He added that the lessons learned from the League's experience "made it easier for me to persuade the champions of mere co-operation that intergovernmental systems, already weakened by the compromises built into them, were quickly paralyzed by the rule that all decisions must be unanimous." He reminded them of "the vetoes that had blocked all our efforts to find peaceful solutions to the conflicts set off by Japan, Italy, and Germany" (Monnet 1978, 82, 97, 281).

During the interwar years there were prominent Europeans who saw the weakness of that kind of international organization. Perhaps the most energetic crusader for genuine European unity was the Austrian Count, Richard Coudenhove-Kalergi. Gaining the support of a number of distinguished Europeans, he formed a Pan-European Union in 1922, which advocated a European council made up of delegates from the various states, a parliament composed of representatives from the national legislatures, and a high court. Some international agencies were actually created dealing with posts and telegraphs, shipping and aircraft, health and labor. Their creators hoped that such international cooperation would ultimately lead to closer political collaboration.

Coudenhove-Kalergi's notions were not in the mainstream of European political thinking at the time, but his ideas appealed to two foreign ministers: Gustav Stresemann of Germany and Aristide Briand of France. Although both wanted a united Europe to prevent future wars, each meant something different by it, and each had other reasons that were incompatible. Stresemann could use it to fend off pressure from restless nationalists at home and to help change Europe in Germany's favor. Briand wanted a united Europe that could maintain the political settlement dictated to Germany at Versailles in 1919. In 1929 Briand advocated in the League of Nations Assembly a "federal link" among the peoples of Europe; this was the first time a leading statesman had made such a proposal in the twentieth century. The following year he argued that economic union was inextricably related to security and that security was impossible without collective political will and decisions. He stressed the political necessity of an economic union, but he argued that only after European political institutions are created could a "common market" be implemented.

Unfortunately, Stresemann's untimely death in 1929, the collapse of the American stock market a few weeks later, and the devastating global economic depression eliminated the Franco-German cooperation that was essential to any effort to unify Europe. The nations' response to bad times was to raise protective trade barriers against foreign competition, but this only exacerbated their problems. The depression demonstrated how interrelated the global economy had become, and it highlighted the link between stable, democratic politics and economic well-being. Democracies toppled all over Europe, and economic desperation strengthened Europeans' receptivity to the non-democratic ideologies of fascism and communism.

Second World War. Europeans paid a heavy price for their inability to join hands and find a common way out of the corner into which they had painted themselves. They experienced Hitler's "New Order," the last futile attempt of a single nation to subordinate by force this diverse continent to the interests of one country. So traumatic was that experience that many victims pondered different forms of unity which would make a repeat of such criminal conquest impossible. In concentration and prison camps, within resistance movements, and in governmental circles fighting Hitler's Germany, the idea of federation with real supranational powers reappeared. The French resistance adopted a slogan, *Libérer et fédérer* ("liberate and federate"). Nudged by Jean Monnet, British Prime Minister Winston S. Churchill made a dramatic offer in June 1940, shortly before the collapse of France, that "there shall no longer be two nations, but one Franco-British Union," which would include a common army and parliament. The French politely declined the offer (Urwin 1981, 5).

Moving to Washington, where he advised leading Americans including President Franklin D. Roosevelt, Monnet advocated the abolition of borders and tariff barriers within Europe:

> *"If the states were reconstructed on a basis of national sovereignty involving, as it would, policies of prestige and economic protection... peace would be illusory. They must have larger markets...their prosperity and the indispensable social developments are impossible unless the states of Europe form themselves into a federation or a European entity which will make of it a common economic unit" (Daltrop 1982, 6-7).*

In the U.S. he saw the effects of both federalism and a continent-wide market. He and other economists noticed that the Western European countries' share of the world's industrial production had fallen from half to a quarter between 1913 and the 1940s and had been overtaken by the U.S. If the U.S. could be so successful, then so could Europe. Monnet proposed that specialized administrative bodies be created after the war to lead gradually toward this goal. He was joined by such ardent federalists as Henry Brugmans from the Netherlands and Denis de Rougemont from Switzerland, who argued that mere international cooperation did not go far enough; nation-states would have to relinquish some of their power to joint European institutions.

In 1944 the exile-governments of the Benelux countries (Belgium, Netherlands and Luxembourg), always the pace-setters in European unity, decided to expand the Belgium-Luxembourg Economic Union (BLEU), which those two nations had established in 1922 to eliminate most tariffs and customs duties. Joined by the Netherlands in 1944, they agreed to form a Customs Union, which abolished all tariffs among them and established a common external tariff on imports beginning January 1, 1948; it was completed by 1958. They also agreed to try to harmonize their economic policies. They did not adopt political integration until November 1960, when the Benelux Economic Union (BEU) was created, calling for social, political, and monetary collaboration, joint decision-making, and the peaceful resolution of disputes. These successful early experiments by three small neighbors provided inspiration and a model for the broader European integration efforts which came.

Several international conferences of resistance leaders from all over Europe took place in Geneva. In July 1944 they issued a "Draft Declaration of the European Resistance," which blamed the system of sovereign states for the tragic war that had befallen Europe. It concluded: "This anarchy can be solved only by the creation of a Federal Union among the European peoples." In March 1945 the first European Federalist Congress convened in liberated Paris. The campaign it launched came to fruition in the European Union of Federalists in 1947 (Morgan 1973, 77-8). By V-E Day ("Victory in Europe," May 7, 1945), the words "federation" and "unity" were in the air. Forty million deaths, the destruction of great cities, unspeakable genocide, and the division of Europe into spheres of influence managed by two superpowers had sobered Western Europeans. Many emerged from this trauma with a strong conviction: Never again!

THE IDEA OF EUROPE AFTER WORLD WAR II

Postwar Europe. By the time Europeans climbed out of the rubble, their industrial production stood at only one-third and agriculture at half the 1938 level. International trade and payments had been completely disrupted. U.S. exports to Europe were three times higher than in 1938, and a "dollar gap," which would plague Europe for years, had opened up. During the First World War the primary damage had been done only to battlefields in northern France and Belgium. The air war in the Second World War had devastated Europe's cities as well. Nearly a fifth of France's houses, two-thirds of its railway stock, and half its livestock had been destroyed. Two million French had been transported to Germany. A fifth of the Dutch were homeless, and much of their valuable reclaimed land was under water.

Not since the Thirty Years War from 1618 to 1648 had the Germans suffered so much destruction and loss of life. Over two million soldiers had been killed, two and a half million had been taken prisoner, more than a million and a half were missing, and at least an equal number had been crippled. Civilian deaths and injury were in the hundreds of thousands, and far more than a million German children had been orphaned. Two-fifths of the buildings in the 50 largest cities had been demolished, and one-fifth of the nation's housing was destroyed. Shocked and hungry Germans without shelter were cramped in the homes of others, in hotels, in makeshift structures, or even in former bomb shelters. Bridges, viaducts, water mains, and power lines were cut. All bridges over the Rhine, Weser, and Main rivers had been destroyed, and these three key waterways were closed to shipping. Power facilities, even if operable, were often unable to function for lack of coal. Often the only warmth the Germans could get was at warming stations in certain places in the city, where they could go for a few minutes a day. What little food, housing, and work there was also had to serve the flood of refugees who poured in from the Eastern Europe.

The Western Allies' assumption that the wartime coalition with the Soviet Union would continue soon proved to be in error. Moscow's treatment of Eastern European nations was not democratic, as the Allies had agreed in the conferences at Yalta and Potsdam in 1945. Talks involving the political and economic future of Germany bogged down. Eying a growing Soviet threat to the rest of Europe and fearing that the Soviet Union would take advantage of economic chaos on the continent, American leaders became convinced that U.S. policy should shed its punitive aspects and shift toward whole-hearted support of Germany's democratic potential. On September 6, 1946, Secretary of State James Byrnes announced a significant change in policy. In Stuttgart's opera house he attempted to quiet Germans' fears by assuring them that "as long as an occupation force is required in Germany, the army of the United States will be part of that occupation force." He proposed a greater measure of German self-government and, as a first step, the merging of the American and British zones. A British observer commented on the dramatic effect of this speech: "At the time they were spoken these were bold words, and they came to the millions of Germans who had heard or read them as the first glimmer of dawn after a long, dark night. Their moral impact was incalculable" (Thompson 1995, 56-7). The Cold War, fear of Soviet power, and American concern that a place be made for Germany in a democratic and peaceful Europe became consistent motives for American encouragement of a unified Europe; all were important in gradually reducing resistance in Europe to economic integration.

The most important cue given to European leaders that the daunting problems they faced could not be solved within the narrow confines of the traditional nation-state was given by Winston S. Churchill. Before the war he had encouraging words, while distancing Britain itself from a united Europe: "We see nothing but good and hope in a richer, freer, more contented European commonalty. But we have our own dream and our own task. We are with Europe, but not of it. We are linked, but not compromised. We are interested and associated, but not absorbed." For decades his countrymen shared his sense of not totally belonging to Europe. He had spoken like an ardent federalist during the war. In March 1943 he had advocated in a radio broadcast a "Council of Europe" which would oversee effective working institutions, including a common military organization. On May 9, 1946, he said: "I see no reason why...there should not ultimately arise the United States of Europe, both those of the East and those of the West which will unify this continent in a manner never known since the fall of the Roman Empire, and within which all its peoples may dwell together in prosperity, in justice and in peace" (Urwin 1981, 131).

In a speech delivered at Zurich University September 19, 1946, he renewed his call for a Council of Europe encompassing at least ten states. Blending idealism with pragmatism, he put his finger on the key: "The first step in the re-creation of the European family must be a partnership between France and Germany....There can be no revival of Europe without a spiritually great France and a spiritually great Germany....If this is their wish, they have only to say so, and means can certainly be found, and machinery erected, to carry that wish into full fruition" (Hurwitz 1991, 13).

Under his chairmanship, a United Europe Committee was founded with such luminaries as French Socialist Leon Blum, Italian Prime Minister Alcide de Gasperi, and Belgian Foreign Minister Paul-Henri Spaak as honorary presidents. Their efforts led to a European Movement two years later, one of a proliferation of pro-Europe groupings. In contrast to the post-1918 era, they enjoyed public support and that of many parliamentarians and cabinet members, who had shared common disasters and common fears, and who had common ideals and goals. For them, the European ideal had become a replacement for exaggerated nationalism, which had become discredited. It was seen as an antidote to Communist ideas, which had a strong appeal in Europe immediately after the war. Not only could unity revitalize the economy, but it could do the same for European culture, which many thought was being challenged by powerful influences from America.

The Marshall Plan and U.S. Policy. The U.S. was a recent convert to the cause of European unity. Although there had been proponents during the war, President Roosevelt had not shown any sympathy for it until January 1945. There was fear that any united Europe would be dominated by Germany and that it could possibly be an obstacle to the construction of an open, nondiscriminatory, universalist world, centered around the United Nations, which Secretary of State Cordell Hull and his advisers favored. Hull feared that a unified Europe could "degenerate into a closed commercial bloc" and produce "interregional economic conflicts with dangerous political repercussions." Throughout 1946 the opinion had taken root in the State Department that a common effort by the European peoples would be necessary in order to accomplish the task of rebuilding. In March 1947 the House of Representatives passed a resolution calling for the "creation of a United States of Europe within the framework of the United Nations" (Poidevin 1986, 26-9, 31).

U.S. leaders had hoped that the Soviet Union would agree to an undivided Europe, but the Iron Curtain made this original American vision unrealistic. On March 12, 1947, the U.S. President proclaimed the Truman Doctrine, pledging assistance against the spread of international communism. American skepticism about achieving anything from further direct negotiations with the Soviets was confirmed when the foreign ministers' conference in Moscow broke down April 24, 1947, over the question of how to solve the German problem.

So much thinking had already been done in the U.S. about helping Europe to help itself that the American public was not taken by surprise when Secretary of State George C. Marshall delivered his historic speech at the Harvard University commencement on June 5, 1947. He spoke of the terrible visible destruction in Europe, but this "was probably less serious than the dislocation of the entire fabric of European economy." He proposed a European Recovery Program (ERP, better known as the "Marshall Plan"), whose purpose "should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist." This was very much in America's own interest: "It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace." Such generosity would not only help stabilize democracy in Europe and peace in the world, but all trading nations, including the U.S., would obviously benefit economically as well.

The scope was to be broad: "Our policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos." Thus, the offer was extended also to the Soviet Union and Eastern Europe. It was based on a grand design: "Such assistance...must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative." The U.S. had doled out almost $15 billion in stop-gap aid since the end of the war, but this was not the kind of help which allowed Europeans to plan their own recovery.

Most important of all, although the Americans could provide a spark, the initiative and the responsibility for the recovery was to come from the Europeans themselves. Marshall recognized that the U.S. was a power in Europe, but it was not a European nation and could never be a European power. It could not lead the move toward European integration, but could only encourage and help it. Thus, Marshall said nothing about the form European cooperation should take. The only condition for aid was that European nations had to work together, a crucial point for Congress, which had to approve the funds. The impression in Europe had already taken hold by the summer of 1947 that progress toward a more unified Europe was a key for congressional generosity (Poidevin 1986, 33).

Jean Monnet, who since January 1946 headed the French Planning Commission, realized the enormous opportunity which had been offered to Europe: "To tackle the present situation, to face the dangers that threaten us, and to match the American effort, the countries of Western Europe must turn their national efforts into a truly European effort. This will be possible only through a federation of the West" (Monnet 1978, 272-3). His fellow Europeans jumped at the offer. Meeting in Paris only three weeks after Marshall's speech, representatives of sixteen countries began translating the idea into action.

They declared that "the German economy should be integrated into the economy of Europe in such a way as to contribute to a raising of the general standard of living." They clearly sought to ensure through economic measures that Germany could not become an aggressive enemy again. This was precisely in harmony with U.S. leaders, who were concerned about the economic recovery in the western zones of Germany, for which the Americans were primarily responsible. They did not believe that European economic health could be restored if Germany's economy were permanently shackled. On July 11, 1947, JCS 1177 recalled: "An orderly and prosperous Europe requires the economic contribution of a productive and stable Germany" (Poidevin 1986, 35).

The problem was that the rest of Europe was still afraid of Germany. The only way to appease these fears was to create a unified Europe within which opposing interests could be reconciled. It took years for all Europeans to accept this, and it required a great deal of practice, but their leaders were ready in July 1947. In the next few years, West Germans received almost $4 billion in money and supplies through the Marshall Plan. For four years a total of $14 billion ($80 billion in 1990 dollars) in aid flowed to Europe after the U.S. Congress passed the Economic Cooperation Act of 1948.

On April 16, 1948, without the direct participation of the U.S., Europeans created the Organization for European Economic Cooperation (OEEC), whose basic job was to coordinate the distribution of Marshall Plan money. The State Department was divided over whether it would be good to include the Soviet Union and its new satellites or satellites-to-be in Eastern Europe. The offer had been made to all of them, but Soviet Foreign Minister Vyacheslav Molotov made the debate moot when he rejected it in Paris on July 2, 1947. Sensing that the Marshall Plan and talk of European unity was aimed at undermining the prospects for communism in Europe and for direct Soviet domination of Eastern Europe, Stalin forbade all Eastern European countries from taking part, even though some had expressed great interest in doing so.

In banding together in the OEEC, Europeans had acknowledged that they were economically dependent upon each other and that it was in their joint interest to trade freely, establish a multilateral clearing system, and ultimately create a European Payments Union (EPU), which they did in 1950. They also began to see the positive results of their cooperation: Between 1948 and 1955 trade doubled across Western European borders. Many proponents of European federation, such as Monnet, were disappointed that the OEEC did not develop supranational powers; Britain and the Scandinavian countries were unwilling to relinquish even a morsel of sovereignty. Thus, the OEEC was never more than an instrument for nation-states to serve their own interest. But it gave them much practice in solving important problems together, convinced many doubters that one can work constructively with former enemies, and helped break down the resistance to European integration. In December 1960 it ceased being a purely European body when the United States and Canada became members, and it was renamed the Organization for Economic Cooperation and Development (OECD).

Soviet Threat as a Catalyst for Unity. Few things drive nations into each others' arms more effectively than an external enemy. OEEC had been created in a foreboding atmosphere. The founding in October 1947 of the Cominform, the communist propaganda agency, signaled a renewal of organized Soviet hostility toward the West. Fears were further heightened in February 1948 by the communist seizure of power in Czechoslovakia, a country which had functioned since 1945 as a parliamentary democracy. Especially disturbing was the Soviet blockade of all road and rail routes to West Berlin from June 1948 until May 1949. This was the Kremlin's response to increasing political and economic unity among the three Western zones in Germany, most visible in a currency reform.

The mounting sense of a threat emanating from the Soviet Union rather than from Germany was reflected in the changing military arrangements made by Western European nations. On March 4, 1947, France and Britain had signed the Dunkirk Treaty forming a bilateral military pact aimed at a potentially resurgent Germany. Washington was not pleased. On January 20, 1948, George Kennan observed that "the role of the German people in any European union will in the end always be of primordial importance. The general adoption of a mutual assistance pact based strictly on a defense against Germany is a very mediocre means for paving the way toward an ultimate inclusion of the Germans in that concept" (Poidevin 1986, 33, 36). American pressure for wider unity was an important factor behind the establishment of the Brussels Pact on March 17, 1948, linking the Benelux countries with Britain and France in a defensive partnership. This collective defense arrangement was still explicitly directed toward Germany, but it also revealed a reorientation toward the emerging Soviet threat.

Britain's participation in the Brussels Pact showed that it was an intergovernmental organization that still wielded no supranational authority. Europeans had still not crossed that threshold, a fact which was trying the patience of some American officials. John Foster Dulles, who in 1941 had advocated a federal Europe including Germany and based on the American model, told the American Club in Paris on November 18, 1948, that the Americans were more European than were the Europeans themselves! (Poidevin 1986, 25, 49)

Soviet repression in Eastern Europe and increasingly clear indications that the U.S. was determined to create a West German state intensified anxiety in Western Europe which only a security commitment by the United States could quell. Therefore, on April 4, 1949, the North Atlantic Treaty was signed linking Western European nations with the U.S. and Canada in a collective security organization: the North Atlantic Treaty Organization (NATO). Like all international organizations hitherto created in Europe since the war, it was a means for cooperation among sovereign states, not a supranational body.

THE MARCH TOWARD EUROPE

The Council of Europe. The Council of Europe, created by ten Western European countries a few weeks later on May 5, 1949, with headquarters in Strasbourg, was also no supranational body. It had been inspired by a convention of the European Movement in the Hague in May 1948, whose most distinguished participant was Winston S. Churchill. The lines were sharply drawn. The British, Scandinavians, and Swiss insisted on nothing beyond cooperation; as Ernest Bevin remarked: "When you open that Pandora's Box [of supranationality], you'll find it's full of Trojan horses" (Morgan 1973, 85). The French and Belgians wanted a more autonomous assembly which could point the way for the Council of Ministers, who represent the member governments. As usual, the final agreement was geared to the lowest common denominator, and an instrument was created that was too weak to be a spearhead for European unity. Monnet and many other federalists were deeply disappointed: "I confess that I paid little attention to the Hague Congress; and the fate of its enthusiastic resolutions, which a year later led to the founding of the Council of Europe, confirmed my belief that this approach would lead nowhere." (Monnet 1978, 273, 281).

The Council's first president, Paul-Henri Spaak, resigned in exasperation in 1951, charging that "if a quarter of the energy spent here in saying no were used to say yes to something positive, we should not be in the state we are in today!" (Wegs 1984, 146) It became a forum for consultation and advice, not for making decisions. However, with its broad membership (encompassing 32 European sovereign states in 1995), it has played a role in facilitating closer consultation and cooperation among governments. Perhaps its main contribution has been its various conventions, especially its Convention for the Protection of Human Rights and Fundamental Freedoms (known more familiarly as the European Convention on Human Rights—ECHR), adopted on November 4, 1950. ECHR requirements are obligatory for all institutions of the European Union (EU). A European Court of Human Rights was subsequently established to adjudicate complaints.

Germany Rejoins Europe. Three days after the birth of the Council of Europe, the event occurred which many Europeans had dreaded: On May 8, 1949, the Federal Republic of Germany (FRG) came into existence as a "transitional state" until German unity could be achieved. Like the constitutions of France in 1946, of Italy in 1947, and the Netherlands in 1953, the FRG's Basic Law (constitution) contained provisions permitting the transfer of sovereignty to a united Europe. Although the Paris government accepted West German statehood, the French were uneasy. The Ruhr industries were returned to German hands, ending the French influence in the Ruhr it had just gained in April through the International Ruhr Authority. The French agreed to grant the Saarland political autonomy. But they refused to relinquish the economic unity between France and the Saar, which created friction between the two neighbors. To Monnet, Foreign Minister Robert Schuman, and many other Frenchmen, as well as to many thoughtful Germans, such as Konrad Adenauer, the situation evoked ominous memories of earlier tensions between France and Germany that ultimately led to war. How should these tensions be managed now? How could Germany's economic and potential military power be contained, while making a dramatic step toward European unity?

Encouraged by the Americans, it was the French who stepped forward to provide a solution to this riddle. Secretary of State Dean Acheson wrote to Schuman on October 30, 1949: "Now is the time for French initiative and leadership of the type required to integrate the German Federal Republic promptly and decisively into Western Europe. Delay will seriously weaken the possibilities of success." Following a meeting with Acheson in September 1949, Schuman spoke of a "mandate" entrusted to him by the United States. The American High Commissioner in Germany, John McCloy, suggested on October 17, 1949, a good place to begin: control of the Ruhr should be integrated. At the same time, the Americans were trying to persuade a skeptical Konrad Adenauer that the generous spirit of the new French foreign policy was genuine (Poidevin 1986, 43-4; Schwabe 1986, 218-19).

One Frenchman needed no prodding. Monnet wrote in May 1950 that "at the present moment, Europe can be brought to birth only by France. Only France is in a position to speak and act." In April he and his colleagues at the Planning Commission had produced a bombshell proposal to place Germany's and France's coal and steel industries under international control. Wise to the sinkholes in any bureaucracy, Monnet made an end-run around the "normal channels" and placed the proposal directly into the hands of his friend, Foreign Minister Schuman, as the latter was leaving by train for a week-end in his native Lorraine. Born in Luxembourg and educated in Germany, Schuman would not turn a deaf ear to any realistic recommendation for securing peace through Franco-German rapprochement. When he returned from the weekend, he announced to Monnet: "I've read the proposal. I'll use it" (Monnet 1978, 294, 299).

On the morning of May 9, 1950, Schuman sent a secret messenger to Bonn to inform Adenauer of his plan. The chancellor enthusiastically endorsed it. Equipped with Bonn's approval, Schuman stepped into a press conference in the Salon de l'Horlage at the Quai d'Orsay, France's foreign ministry, and delivered his electrifying message:

> *"It is no longer a time for vain words, but for a bold, constructive act. France has acted, and the consequences of her action may be immense.... She has acted essentially in the cause of peace. For peace to have a real chance, there must first be a Europe....France is taking the first decisive step to rebuild Europe and is inviting Germany to play its part. This will transform the situation in Europe. This will open the door to other joint activities inconceivable hitherto. Europe will emerge from all this...firmly united and solidly built"* (Fontaine 1990, 12-3).

The heart of the proposal was Franco-German reconciliation. Without it, there could be no progress toward European unity. In Schuman's words, the ECSC (European Coal and Steel Community) was designed "to end Franco-German hostility once and for all." His message was directed at a generation of European leaders who had experienced two world wars and the tumult of the interwar years. "Because Europe was not united, we have had war." The pernicious Franco-German rivalry had helped cause three wars in less than a century, and the solution was to link the two peoples so closely economically that they could never fight again. In Monnet's words, the new partnership would make war "not only unthinkable, but materially impossible" (Smith 1972, 307; Wegs 1984, 147).

Schuman's Plan. Several basic ideas were at the core of the "Schuman Plan." First, each member state would be equal. There would be no hegemony by the victors or any other nations. Monnet asserted: "Peace can be founded only on equality....We failed in 1919 because we introduced discrimination and a sense of superiority." This was the cue Adenauer had been waiting for. He told newsmen within minutes after Schuman's announcement: "The proposal that France has just made to us is a generous move. It is a decisive step forward in Franco-German relations. It is not a matter of vague generalizations, but of concrete suggestions based on equal rights." Monnet went to Bonn to discuss the plan with Adenauer, who had grasped its sweeping potential. The chancellor pledged:

> *"We shall not let ourselves be caught up in details. I have waited twenty-five years for a move like this. In accepting it, my Government and my country have no secret hankerings after hegemony. History since 1933 has taught us the folly of such ideas. Germany knows that its fate is bound up with that of Western Europe as a whole"* (Monnet 1978, 97, 284, 304, 310).

Second, the march toward a unified Europe would have to be made in small, practical steps; immediate action would focus on a "limited, but decisive target," to quote the declaration. The approach would be functional and sectoral integration. Monnet was convinced that, given the centuries of tradition supporting the idea of the nation-state, it would be futile to try to create a united Europe in one grandiose attempt, following a frontal attack on state sovereignty. "National sovereignty would have to be tackled more boldly and on a narrower front.... Experience had taught me that one cannot act in general terms, starting from a vague concept, but that anything becomes possible as soon as one can concentrate on one precise point which leads on to everything else" (Monnet 1978, 274, 286, 300).

A better approach was to establish specialized international institutions, which, if they operated successfully, would lead to even further grants of national authority. Fruitful cooperation over limited technical and economic problems would produce the confidence to move on to broader, more important political problems. The declaration read: "A United Europe will not be achieved all at once, nor in a single framework: it will be formed by concrete measures which first of all create a solidarity in fact." In Monnet's words: "Work for common ends and means—create solidarity in practical matters, and ideas about class war, national rivalries and hereditary hatreds will disappear of themselves" (Waterlow and Evans 1973, 190). The ECSC was a pilot project for a larger supranational European community. Without question, the ultimate goals were political, not economic, and they were realized because the creators were active, practical politicians.

On June 20, 1950, six nations responded to Schuman's call and sent representatives to the Intergovernmental Conference in Paris, under Monnet's chairmanship, to translate a dream into reality. The six—France, West Germany, Italy, and the Benelux countries—became known as the "little Europe": that core of nations willing to enter the new terrain of unity. Although almost all democratic parties in the six countries favored the effort, it was a fortunate coincidence that all six at that moment were ruled by Christian Democratic parties. Thus, the various national leaders who had to approve the work of Monnet's committee were in fundamental agreement on political principles. Monnet opened the conference with the words: "We are here to undertake a common task—not to negotiate for our own national advantage, but to seek it in the advantage of all. Only if we eliminate from our debates any particularist feelings shall we reach a solution. In so far as we, gathered here, can change our methods, the attitude of all Europeans will likewise gradually change" (Monnet 1978, 323).

It would be mistaken, however, to believe that the governments of "little Europe" had no national motives whatsoever for sending negotiators to Paris. What is important is that they had concluded that the national goals they sought could no longer be achieved within the framework of the single nation. The foundations for the ECSC and the later EU were sturdy precisely because it was perceived to be in the national interest of each member state to cooperate on a higher, international level. The support for ECSC was due to a mixture of idealism, sharp calculation of economic advantage, and an effort to obtain security. The immediate issues on the table were economic, but the more important questions were indirect. Like Aristide Briand two decades earlier, French leaders were inspired by the need for security against Germany, and they were willing to pay an economic price for it. Trade liberalization was not in the French economic tradition. There was, of course, economic benefit for France. Although the chronic postwar coal shortage was over by 1950, 70% of the coke needed by the French steel industries still had to be imported.

Adenauer saw integration as a way for Germany to be rehabilitated, to gain the status of an equal in the community of nations, and to win freedom of maneuver for his shackled and divided nation. The ECSC lifted the controls on the FRG's economy and the tariff barriers against its coal exports. It also advanced Bonn a step closer to re-acquiring the Saar, which came under the administrative control of the ECSC's High Authority, in which the FRG had an equal voice with the French. Indeed, by the end of the decade the Saar had been politically and economically fully incorporated into West Germany.

The United States was involved intensively in the preparations for the ECSC, first to prevent the original French recommendation from being watered down, and second to see a prohibition of cartels anchored in the treaty. President Harry S. Truman intervened, and John McCloy spent hours coaxing German trade union and industry representatives of the plan's advantages. Although the form which the ECSC took stemmed primarily from French policy, Professor Klaus Schwabe concluded that "there can be no doubt that the American-German negotiations in the first weeks of 1951 saved the Schuman Plan....For the USA there was only one essential which had to be realized in the Schuman-Plan Treaty without fail: the greatest possible elimination of German-French animosity" (Schwabe 1986, 228, 237-9).

The European Coal and Steel Community (ECSC). On April 18, 1951, the treaty establishing the ECSC for fifty years was signed. August 10, 1952, the High Authority, with Monnet as its president until 1955, commenced its work in Luxembourg. The High Authority could do precisely what European federalists had advocated for a long time: wield sovereignty. It was, in the words of the treaty, "entrusted with the working of the whole system . . . composed of independent persons designated by governments on a basis of parity . . . . Its decisions will have force of law in France, in Germany, and in the other member countries."

Composed of nine persons selected by but independent of their governments, with France and West Germany having two members each, the High Authority had the real power to enforce decisions. It could levy a tax on the turnover of coal and steel and disburse the proceeds as it saw fit. Such a tax had to be approved by a two-thirds vote of the Council of Ministers, which directly represented the interests of the member states. An ECSC parliament composed of members from the six national legislatures was set up. A Court of Justice interpreted the treaty and prescribed punishments for breaches of it. This novel institutional structure, blending national inputs and supranational decision-making, was basically retained for the later European Economic Community (EEC) and Euratom.

The most prominent non-participant in this dramatic departure from national sovereignty was the United Kingdom. Unlike the ECSC's founding members, the UK had not been defeated and occupied during the war. It emerged from the conflict as a proud nation, not at all disillusioned with nationalism. It had confidence in its ability to continue playing a world role, and it took pride in its "special relationship" with the United States, which had been strengthened during the long struggle. Idealists in Britain focused their aspirations on the United Nations, not on a united Europe, and on the notion of a multiracial Commonwealth, not on a multinational Europe. Further, British parliamentary democracy was among the world's most stable, and it had admirers around the globe. It had withstood the onslaught of depression and fascism, while many feebler democracies in Europe had not. Why should the stewards of such a successful democracy hand over some of their sovereignty to an assemblage of European nations who had not made democracy function well, with disastrous consequences? Finally, the Labour Party, which had unseated Churchill's Conservatives in July 1945 and ruled until 1951, were preoccupied with the social transformation of Britain. The party and the trade unions distrusted the movement toward a unified Europe as a kind of conspiracy to circumvent the demands made by national labor movements, a concern shared by many labor unions on the continent.

It was a drawback for the ECSC that Britain, which produced a third of Europe's steel and half its coal at the time, was absent. The organization's fundamental objectives were political, not economic, and France and the Benelux countries had hoped that a "Europeanized" Britain could offer some security against a possible recurrence of German militarism or the spread of Soviet influence in Western Europe. Although Britain became an associate ECSC member in 1953, it relinquished the lead in Europe to France and sought to satisfy its security needs in NATO, not in narrow European constructions. Not until 1961 did the UK decide that it was in its national interests to join the ECSC and the broader EEC created in 1958. However, by that time the European door had been slammed shut by a nationally-minded French President Charles de Gaulle, who opposed both. Scandinavia could not be lured into a unified Europe unless the UK entered as well.

Nevertheless, there was a strong belief in the minds of many continental Europeans that they could maintain themselves in the new superpower world only by pooling all their strength and influence. There was also a fervent conviction that five years after the most brutal war Europe had ever known, Europeans had found a workable means for making a replay impossible. Monnet wrote: "Looking back on this mid-century period, one can hardly fail to be struck by the extraordinary ferment in men's minds about the idea of European unity." Political parties and militant movements dealt with it in their manifestoes; statesmen discussed it in their speeches; articles were devoted to it in the press. The London *Times* and *The Economist* published admirable editorials worthy of Jay's, Madison's, and Hamilton's *Federalist Papers* (Monnet 1978, 282-3). It captured the imagination of the young. German and French students demonstrated in support of their governments' policy on Europe and marched to border crossings where they ceremonially incinerated frontier-posts.

FAILURE, THEN PROGRESS

Failure of the European Defense Community (EDC). The ECSC's success was not long in waiting. Within two years a common market had been created for all categories of coal and steel. It was ready to expand to other sectors, as was the original intention. The next sector—defense—was dictated by an important external event that again demonstrated how inter-penetrated European and global politics are: the outbreak of the Korean War in June 1950. To most Europeans and Americans it seemed like the Communist bloc, led by a Soviet Union armed with nuclear weapons since 1949, had decided that the time for further territorial expansion had come. With American military attention diverted to Asia, Europe suddenly seemed more vulnerable. Monnet recalled an atmosphere pervaded by fear of "the cold war in the heart of Europe, the Korean War in Asia. And the same fear led to contrasting reactions: unity on the continent, isolationism in Britain" (Monnet 1978, 316).

It was believed that a military counterpart to the ECSC had to be created. The French were being especially pressed by the Americans to find a way of making German rearmament politically acceptable, including possibly a framework in which an independent German army could be avoided. Dean Acheson had told Schuman and British Foreign Minister Bevin on September 12, 1950, that the U.S. would send reinforcements to Europe only if the Europeans themselves had armed 60 divisions, "ten of which might be German." Monnet remembers:

> *"It was the first time that the specter of German soldiers had been revived. Until then, we had thought that Germany's contribution to defence would be purely economic....The French Army was fighting a difficult war in Indochina; Britain's forces were scattered throughout the world. It was natural to ask Germany to make up the balance; it was equally natural for Europeans to be appalled at the prospect....With World War II only five years behind us, the mere mention of a German army was enough to horrify Europeans, including the vast majority of the German people themselves....I had never believed that we should tackle the problem of Europe via defence"* (Monnet 1978, 336-8, 341-4).

It cannot be said that all Europeans had been taken by surprise. After NATO had been created in April 1949, it had become apparent that the necessary forces could not be provided without a German contingent. This was especially true since the U.S. had no intention at that time of permanently maintaining large numbers of American troops in Europe. Adenauer listened carefully to the message which was coming from Western capitals: "No NATO without Germany; no Germany without NATO." He reflected on his country's goals of protection against Soviet domination, recovery from the moral and physical destruction of the war, full sovereignty for the FRG, and reunification of Germany. He decided to offer a deal. In an interview with the French newspaper, *L'Est Républicain*, on November 11, 1949, the 31st anniversary of the cease-fire ending the First World War, he announced that ". . . if a common Supreme Command could be created, the Federal Republic would be willing at an appropriate time to integrate itself into a European defense system." When the need for German troops became obvious in the fall of 1950, Monnet reflected on how fortunate it was that the chancellor of the new Germany was so adamantly opposed to the reestablishment of an independent *Wehrmacht*. "To help him in return, we could do no less than propose, in accordance with his own wishes, a European army which would include German military capacity, but without any ambition for conquest and deprived of any purely national initiative. There was no precedent or model for such a European army; and we had only a few days in which to invent it" (Thompson 1995, 58-60; Monnet 1978, 334).

In a speech to the Council of Europe on August 11, 1950, Churchill had broached the idea of a fully integrated European army, and French Prime Minister René Pleven made a formal proposal on October 24, 1950. The "Pleven Plan" went far beyond the usual military alliance; it proposed a fully integrated European army commanded by a single political and military authority—in effect, by a "European" defense minister. This structure was undoubtedly influenced by the fact that the question came up exactly at the time when the details of the Schuman plan were being discussed. A similar system seemed logical for defense. The UK and the U.S. supported the idea but did not join. The six "little Europe" countries began negotiations in February 1951 and signed the final treaty on May 27, 1951.

Discussion of this ill-fated plan dominated political life in the six signatory states for four years. West Germany and France were especially divided. It raised the highly emotional question of whether it was wise to rearm Germany at all. There were doubts that an integrated army could operate effectively. Many, such as de Gaulle, objected to the notion that this integrated force would be subordinated to NATO, which had an American supreme commander. The timing of the proposal was bad for the French army, whose best units were fighting a seemingly interminable war in Indochina. Its troops left in a European army might, under these circumstances, be dominated by Germans, a repugnant thought. After the debilitating French defeat in the battle of Dien Bien Phu in May 1954, the EDC could be yet another disgrace for French soldiers. Cold war tensions began to diminish following a cessation of Korean hostilities in 1952 and the death of Stalin in March 1953. Soviet policy toward Europe became more conciliatory, and many Europeans asked if there were still a need for a European force to stand up to a Soviet threat. The UK's continued refusal to join strengthened French fears that German soldiers would dominate the EDC. Finally, proponents in France were unable to convince opponents that if German rearmament, which was the EDC's *raison d'être*, was really a threat, then how could that danger be met by restricting the freedom of the French forces? On August 30, 1954, after all five other parliaments had ratified the EDC treaty, the French National Assembly rejected it. Following the vote the Gaullist and Communist deputies stood up and sang the *Marseillaise*, France's national anthem.

Monnet was very disappointed:

> *"For France, the EDC dispute was a painful parting of the ways. The forces of the past and those of the future tore the country apart; and in the confused debate it was the former that prevailed....Many people saw it as a cataclysm....I did not believe that [it]...marked the end of Europe....The only true defeats are those that one accepts. We had underestimated the strength of the nationalist current; and perhaps it was salutary to have taken its measure at the flood. We now needed time to build more solidly. Whatever the opponents of EDC may have said, by rejecting integration they were not preventing German rearmament" (Monnet 1978, 397).*

Indeed, the Atlantic Alliance survived, and France remained in NATO. Shortly after the EDC's defeat, the Brussels Treaty Organization was broadened to include the FRG and Italy and was rechristened the Western European Union (WEU). It became the umbrella for German rearmament until the FRG entered NATO on January 1, 1956, thereby ending Allied occupation.

The most positive consequence of the EDC debate was that it prompted Europeans to think further about political union. This was when the federalists' political influence within the six national governments was at its high point with five parliaments ratifying the EDC. Since it seemed odd to have a European army without an overall political community to direct it, the EDC proposal had spawned the European Political Community (EPC) project. The membership and authority of the ECSC Assembly had been enlarged to work out an institutional structure for EPC. Paul-Henri Spaak dared to propose that the ECSC and EDC be fused into one political community, and a draft constitution was written calling for close consultation on all aspects of political and economic decisions. The Assembly accepted this draft in principle in the summer of 1953. The EPC died with the EDC, but many of the ideas generated at this time soon resurfaced in the EEC.

"The Relaunching of Europe." The defeat of EDC and the visible economic recovery in Western Europe seemed to indicate that functional cooperation in European institutions was no longer as urgent as it once had been. This attitude was strengthened by the noticeable relaxation of Soviet pressure on Europe. These developments distressed proponents of European unity and actually sparked renewed effort on the part of dedicated federalists not to lose what had already been achieved. The burst of progress which lay immediately ahead was actually aided by the fact that Europeans were acting less out of fear of an outside power and more out of a constructive examination of their own needs and interests. Unity was increasingly seen to be good in itself, and not as an instrument of protection against outsiders or Germans. This resurgence showed how resilient the idea of Europe had become.

What took shape was a "Relaunching of Europe," as it came to be called. The emotional issue of how to integrate Germany and its army into Europe had been solved when the Treaties of Paris, which established the WEU and integrated the FRG into NATO, went into force May 5, 1955. Because America's immediate objective for European integration had been achieved, it remained on the sidelines of efforts being made from now on. The move toward greater European integration was so important for American long-term interests of stability and free trade that it strongly supported it and was willing to accept short-term economic disadvantage to see it come about.

The Benelux countries provided the catalyst for the new European initiative. Belgian Foreign Minister Spaak succeeded in blending the disparate ideas of an atomic energy community and a customs union in a Joint Memorandum dated May 18, 1955. A meeting of all ECSC countries to discuss the gradual merger of national economies, the creation of a common market, the progressive harmonization of social policies, and the foundation of common decision-making institutions convened in Messina, Sicily, from June 1-3, 1955. The Benelux proposals were accepted with little opposition. The Final Joint Resolution read that the participating governments "believe that the time has come to make a fresh advance toward the building of Europe....Such a policy seems to them indispensable if Europe is to maintain her position in the world, regain her influence and prestige and achieve a continuing increase in the standard of living of her population." An invitation was issued to the UK, which predictably declined. By absenting itself at this point, the work of the six was made considerably easier. The thorny problems of integrating a demanding Britain would be dealt with in the next decade on "little Europe's" terms.

As usual, one of Europe's most important motors was Monnet:

> *"The obstacle in Europe's path, in 1954, was political resistance—in the last resort the difficulty of taking decisions. It had to be tackled head on, to persuade those who held sovereign power to delegate a part of it. I pondered on how to ensure that political forces everywhere ceased to act as a brake and became instead the motor of European unity. The first prerequisite was that I should be free to act as I saw fit. I therefore decided to resign from the Presidency of the High Authority" (Monnet 1978, 399).*

In October 1955 he boosted the recommendations of the Benelux memorandum and the Messina Conference by announcing the establishment of an Action Committee for the United States of Europe, headed by a select group of influential European leaders, who could speak out for Europe in public and parliamentary debates. He explained:

> *"The European militants were sincere, but they had no power....Only the political parties and trade unions had both the strength and the element of disinterest that were needed for the building of Europe....I was not trying to acquire or exercise political power in competition with the normal powers of Governments. But the problem was precisely to persuade Governments to transfer more and more of their powers to common institutions. For that purpose, constant outside pressure had to be brought to bear on them" (Monnet 1978, 399, 406-10).*

He personally saw the leaders of twenty major parties representing 70% of the member states' voters. The Action Committee's arguments were strengthened by the fact that the ECSC's economic success had become undeniable. International cooperation and coordination had worked, and economic advantages could be reaped from applying the ECSC approach to other sectors as well.

European Economic Community (EEC) and Euratom. The foreign ministers assembled at Messina had divergent views on questions of detail. Therefore they charged Spaak to head a committee that would prepare a report on ways to proceed toward closer unity. It was instructed to examine what was technically feasible and to find the lowest common denominator for what all six nations would accept. Spaak noted that "tacit and intellectual consent are insufficient if we are to build Europe. We must have results" (Urwin 1981, 127). He and his committee went to work. Spaak's negotiating skill, political dynamism, and determination to put pressure on individual delegations to make compromises were keys to the success of the talks leading to Euratom and the EEC. The committee produced a sweeping proposal that was debated in the ECSC assembly; only one vote was cast against it. It contained little abstract thinking on integration and concentrated on practical steps. Wider economic integration would lead to further political integration, with the ECSC as the model. It called for a full customs union leading to a "common market," freedom of movement for capital and workers, and further cooperation on such things as agriculture and atomic energy. The latter subjects were of particular interest to the French.

Monnet recalled that the atom

> *"was a new and major problem which for Europeans was an object of both fear and hope... To approach our atomic future separately, when with great effort we were pooling ancient resources that past generations had fragmented, would have been insane. If there was one field in which the method of the Schuman Plan ought to be applied fully and successfully, it was surely this prodigious new technology, which so far was virgin territory... The French saw it as guaranteeing greater independence in energy through a joint effort; for the Germans, it was a way to enter the atomic age but for peaceful purposes only"* (Monnet 1978, 400-1, 419).

With the exception of France and Belgium, none of the ECSC countries exchanged nuclear information. France was interested in sharing financial and technical responsibility for the research and use of atomic energy. It would not have joined, bargaining without the inclusion of a treaty dealing with it. At the same time, the other five would not negotiate without the establishment of an economic community. Thus, if the two treaties had not been pursued in tandem, then neither would have survived.

The committee's proposals were presented to a second conference of the six foreign ministers in Venice May 29-30, 1956, who gave Spaak the go-ahead to assemble technical experts from all six countries to draft the two treaties. These technical talks began June 26, 1956, in Brussels and saw hard bargaining and compromises. "Every problem bristled with technical difficulties; but by the beginning of 1957 all that was lacking was the political will to succeed" (Monnet 1978, 422). What emerged finally satisfied all the partners: the outlines for a common agriculture policy and the promise of development aid for their overseas colonies pleased the French. The Germans welcomed another step toward their own international respectability and liked the promise of an expanded tariff-free market for its industrial exports. The Italians were promised development assistance for their relatively poor south; they hoped that greater political stability would result. The international influence of the highly industrialized Benelux nations would be enhanced by being a part of such a union, and their exports would benefit. European union satisfied the national interests of the six members.

As always, international events influenced the pace of European unification. On June 26, 1956, Egypt seized control of the Suez Canal. France and Britain responded by sending troops to recapture it, only to be forced to withdraw by a combined U.S.-Soviet threat. The decline of individual European nations' influence had been made clear. They reexamined their dependence upon the U.S. and concluded that they could no longer act alone or even in pairs in the new superpower world. They needed to combine their strength. In Monnet's words:

> *"From that moment on, the whole world trading system was at the mercy of one of its vital arteries being cut off, and our oil imports were under constant threat....[The crisis] left a divided Europe all too well aware of how humiliatingly precarious its economic and political situation was. The era of far-flung adventures, when problems were solved by force, would soon be over for good. Soon, Europeans would know no prestige, independence, or progress unless they were united in a collective effort"* (Monnet 1978, 420-2).

This point was again driven home in October 1956 when the Soviet Union invaded Hungary to suppress a revolution against communism. Confronted by the superpowers, individual countries seemed helpless if they did not band together; this feeling strengthened Western European solidarity.

The negotiations were also favored by rapidly changing electoral politics in member states, most crucially in France. In early 1956 a small group of Europe-minded politicians occupied key posts in France. Charles de Gaulle, whose hostility toward a truly unified Europe would dominate much of the political debate in the 1960s, did not assume command of France until 1958. If he had been at the helm while the EEC was being shaped, its form would have been very different.

In February 1957 the premiers of the six met in Paris to iron out the final difficulties, and on March 25, 1957, they met in Rome to sign the two treaties. They committed themselves to achieve full economic integration within twelve years. The EEC treaty contained a mix of firm positions, such as a customs union, and general commitments to be worked out and implemented by the Commission. Its first president was Walter Hallstein, a German who was "a man of action as well as a scholar, and a great European." The EEC was a framework treaty whereby somewhat weaker powers were granted over a much broader area. This time the French National Assembly was the first parliament to ratify the treaties. The most eloquent defense was made by Alain Savary: "The choice is not between the Community and the *status quo*, but between the Community and solitude" (Monnet 1978, 320, 424). In December 1957 the Dutch parliament became the last to approve. The EEC and Euratom began their existence on March 19, 1958, only four years after the defeat of the EDC and EPC. The EEC went on to change the nature of European politics. By contrast, Euratom failed to develop as its creators had hoped. During the 1960s the six national governments increasingly hesitated to relinquish control of their own atomic research programs.

The institutional structures of each of the two new organizations were modeled after the successful ones of ECSC, with some shifts of power. They were less explicitly supranational than the ECSC's High Authority. The independence of the Commissions was less pronounced. The Councils of Ministers, which represent the national interests of the member states, were given a stronger legal role. The Commissions were granted the right to initiate measures, and the Councils were given the right of decision on most matters. The structure included both intergovernmental and supranational elements, and both static and dynamic qualities: static in that no progress toward integration could be made against the political will of the individual member states and dynamic in that the members were free to tighten their integration as much as they want. Monnet commented: "The work they did may have disappointed the hopes of the federalists; but its balanced structure has withstood all subsequent trials. Its keystone is the constant dialogue it establishes between national institutions and common institutions, whose objectives are linked" (Monnet 1978, 423). In 1965 it was decided to end the confusion of parallel commissions, councils of ministers, parliaments, and high courts for the ECSC, EEC, and Euratom. They were melded together, and thereafter the three organizations, though still technically separate, were referred to as the European Communities (EC) with one European Commission, one Council of Ministers (now called "European Council"), one

European Parliament (directly elected since 1976), and one European Court of Justice.

The term "EC" went out of general use when the Maastricht Treaty came into force on November 1, 1993, leaving terminological confusion in its wake. It created a European Union (EU), which added common foreign and security policy and cooperation in justice and police matters to the EC. But unlike the EC, the EU has neither a single decision-making process or a legal *persona*; it cannot conclude international agreements. Although the EC and EU are technically not exactly the same entities, most scholars, including the authors of this book, now employ the term EU instead of EC (See the "Editor's Notes" in the Foreword).

In 1959 with Britain taking the lead, seven Western European countries that had not joined the EEC because of its supranationalism formed the European Free Trade Association (EFTA) on the periphery of Europe, with headquarters in Geneva. EFTA never developed elaborate structures and operates on the basis of voluntary inter-governmental cooperation. With limited objectives and without even the slightest shred of sovereignty, EFTA never became a significant organization. Its importance declined even further when the UK left it in 1972 to join the EC, followed by a host of other members.

THE ENLARGEMENT OF THE EU

De Gaulle Blocks the UK. Since 1958 the EU has been confronted with challenges involving **deepening** of the cooperation and **broadening** of the membership. The two aims are in tension with one another because any intensification of cooperation within the community is threatened by the need to satisfy the demands of additional sovereign and equal member states. Nevertheless, the EU has done both. As examples of deepening, the customs union came into effect on July 1, 1968, which totally eliminated the customs between member states and established a common tariff toward the outside. In March 1979 members established a European Monetary System (EMS) and have attempted, not always successfully, to coordinate their monetary affairs by linking their currencies. They also figure values of a basket of their currencies and affix a non-dollar value to what is known as a European Currency Unit (ECU), which can be used to settle accounts with each other and with some non-member countries.

The EC was never intended to be closed to other European countries, and by 1986 the number of member states had doubled to twelve. But the admission of new members has never been easy, and in some cases the debates over this matter have been stormy and have deeply divided the members themselves. In no case has this been more obvious than with the United Kingdom. No doubt, the British assumed that the EC would warmly receive them any time they decided to cast their lot with it. They had not considered the hostility of de Gaulle, who had become France's powerful leader in 1958. Only six months after EFTA's birth, Britain had second thoughts about being outside the EU, facing a common external tariff erected by the continent's major trading countries. Therefore, it began informal discussions with the EC in October 1960 and formally applied for membership in July 1961. Ireland, Denmark and Norway applied soon thereafter. Prime Minster Harold Macmillan explained to parliament: "Although the Treaty of Rome is concerned with economic matters it has an important political objective, namely, to promote unity and stability in Europe....I believe that it is both our duty and our interest to contribute towards that strength by securing the closest possible unity within Europe" (Hurwitz 1987, 39).

The problems arose when the UK attached conditions to its entry: it would not abandon its partners in EFTA and the Commonwealth, and it would not accept the Common Agriculture Policy (CAP) on the grounds that it would harm British farmers; only industrial goods would count. De Gaulle was not the only leader to oppose these conditions; like the other members, he was not willing to permit an outsider to rewrite the rules for an on-going game. He was also suspicious of the UK's "special relationship" with the U.S. and warned of British membership as the Americans' "Trojan Horse" in Europe.

On January 14, 1963, before the Commission had a chance to decide on the application, he announced that the French representative would veto Britain's entry:

> *"England in effect is insular, she is maritime, she is linked...to the most diverse and often the most distant countries....She has in all her doings very marked and very original [a polite way of saying "peculiar"] habits and traditions....But the question, to know whether Great Britain can now place herself like the Continent and with it inside a tariff which is genuinely common, to renounce all Commonwealth preferences, to cease any pretense that her agriculture will be privileged and...to treat her engagements with other countries of the free trade area as null and void—that question is the whole question" (Hurwitz 1987, 43-44).*

He did leave the door open for a changed Britain to enter the EU at a later time: "It is very possible that Britain's own evolution, and the evolution of the universe, might bring the English little by little towards the Continent" (Hurwitz 1987, 43-44). Because of their close economic ties with the UK, the Irish, Danish and Norwegian governments promptly withdrew their applications.

De Gaulle's Challenge to European Integration. De Gaulle's reaction was notable for its brusqueness and for the fact that he issued it without warning and without consulting with the other members. The EC had been founded on a dual legitimacy, that of the states and that of the EC's supranational institutions. Nothing constructive can be accomplished without consultation, cooperation, and collaboration. His veto slammed the door shut on expansion, while his challenge to the Commission and its chairman, Walter Hallstein, threatened the very experiment of integration. He plunged the community into an institutional crisis by attempting to change the majority voting procedure. The crisis began with the veto of the British entry in 1963 and ended with a "gentleman's agreement" in January 1966 in Luxembourg. It involved serious differences between France and the remaining five members concerning the nature of European integration and how it should develop further. De Gaulle crystallized those differences, which had simmered since 1958. "It was a time for patience, but not for inaction," in Monnet's opinion (Monnet 1978, 461).

In 1965 de Gaulle refused to send a French representative to the European Council for seven months when the other five declined to accept his demands concerning CAP. The real issue was not CAP, but de Gaulle's vision of Europe as an *Europe des Patries*, a league of "fatherlands," which reserve ultimate sovereignty for themselves; that is why he had opposed the ECSC and EDC. Monnet recalled the fundamental difference between his and the General's views: "De Gaulle's whole argument was based on the premise that nothing European could be undertaken so long as Europe was not a political reality. But at the same time he affirmed that the only political reality was the nation-state." This nationalist view, which was popular with the British, contrasted sharply with the integrationist approach of Monnet and Schuman and was expressed in de Gaulle's frontal attack on the way the EC operated: "We know—and heaven knows how well we know it—that there is a different conception of a European federation in which, according to the dreams of those who have conceived it, the member countries would lose their national identities, and which...would be ruled by some technocratic body of elders, stateless and irresponsible" (Monnet 1978, 366; Urwin 1981, 342-6).

The "Luxembourg Compromise" pushed the controversy underground again and enabled the EC to survive. This was an agreement to disagree: "The six delegations note that there is a divergence of views on what should be done in the event of a failure to reach complete agreement" (Morgan 1973, 208-9). It stipulated that the European Commission consult the individual states before advancing important proposals and that the European Council could not overrule any member nation. In other words, although the partners would try to reach a consensus "within a reasonable time," all votes on matters of vital interest must be unanimous, and each member had veto power. This was a grave setback for the supranational conception of Europe, which was still not acceptable to all members.

More emphasis had to be placed on the will of the national governments, whose influence grew even more through the establishment of the Committee of Permanent Representatives (COREPER), appointed by the national governments and in constant contact with their capitals. This body of ambassadors discusses and dissects the Commission's initiatives before the Council deals with them. This made it easier for the Council to say no, and it therefore limited the Commission's ability to present package deals to the Ministers for formal approval. The Commission's powers were further eroded in the 1970s when summit meetings among heads of government became institutionalized within the Council of Europe. Thus, the EC was no longer the sole forum for intergovernmental discussions and decisions.

Yet authority gradually and imperceptibly began to seep from the national capitals back to Brussels in a way which did not involve formal treaties. In 1969 the governments set up a body to coordinate their foreign policies: European Political Cooperation (EPC or "PoCo"). Although it is jealously controlled by the national foreign ministries, PoCo represented a partial transfer of the locus of foreign political discussions away from the individual capitals. Further, the European Court has repeatedly interpreted articles within the Treaty of Rome in ways that diminish national autonomy. The most celebrated case was the 1979 judgment concerning *cassis de Dijon*, a liqueur. The European judges established the principle that if a product meets the standards of one country, then the other member countries must accept it unless there are compelling and *bonafide* health, safety, or moral dangers. In the 1980s the Commission began intervening more energetically into matters involving competition, taking tough stands against state aid to industry. Since September 1989 it has the authority to clear most mergers or take-overs affecting large EU companies.

Great Britain Opens the Door to Other Members. On May 2, 1967, the British government resubmitted its application to join the EC, again joined by Ireland (whose economy is heavily dependent upon Britain), Denmark, and Norway. However, it attached conditions dealing with CAP and the Commonwealth which delayed its admissions for years. On September 29 the European Commission announced its approval in principle, but de Gaulle again responded that the British were not yet ready to enter. It became clear to London that its chances of admission were nil until de Gaulle left the political stage, which he did on April 28, 1969. It was also clear that the next time it knocked on the door, it would have to drop its preconditions for membership. Doing that opened the way for the Commission and Council to accept all four countries' applications. On January 22, 1972, the four signed the Treaty of Accession with the six members, and in 1973 the UK, Ireland and Denmark joined.

The governments of Norway, Britain, and Denmark had second thoughts about their decisions to join, and all chose to put the question to their people in non-binding referenda. The timing of their accession was unfortunate, coinciding with the first year of an economic recession resulting from the dramatic increase in world oil prices as a result of the 1973 Middle East war. Critics blamed EC membership for the economic doldrums and the rise in prices and unemployment. The first referendum took place in Norway and resulted in a stinging rebuke for the government: 53% said "no," and the government chose to honor this result and not to enter. It is the only country that ever turned down an offer to join. The Norwegians' rejection was due mainly to a general reaction by the periphery (rural) people against a move which, it was feared, could seriously affect the nation's unique and traditional life and culture. The EC was widely seen as a potential danger to Norwegian society. In November 1994, for many of the same reasons, 52% of Norwegian voters again rejected their government's renewed efforts to lead the country into the EU. In February 1986 the Danes held their referendum. By a vote of 56% to 44% they signalled their support for continued EC membership. However, the Faroe Islanders stuck with their 1973 decision not to follow the Danish homeland into the EC. Also, after winning home rule under Danish sovereignty in 1979, Greenland's 55,000 citizens decided in 1986 to secede from the EC, the only people ever to do so.

Elections in the UK in 1974 brought the Labour Party to power, led by Prime Minister Harold Wilson. Labourites had opposed the original terms of Britain's entry and had pledged to renegotiate them if they won the election. In office they had to make good on their promise, and from April 1974 to March 1975 they took the EC through the excruciating process all over again. In the end, having won a few minor revisions, the Wilson government recommended continued membership. In a vote of conscience the House of Commons agreed 396 to 170 to remain, and this result was confirmed by the nation's first-ever referendum on June 5, 1975, when two-thirds of the voters approved. Clearly, the British had overcome their serious objections.

Nevertheless, the British assumed the role within the EC formerly occupied by the French of being the mavericks and foot-draggers. In practice, British governments have tended to put British interests ahead of European interests. They have been cool toward the collective decision-making process, CAP, a common energy policy, a directly elected European Parliament, and EMS. Prime Minister Margaret Thatcher, who ruled from 1979 until November 1990, tried hard to reduce the British contribution to the EC budget. She was suspicious of deepening integration on the grounds that it would undermine national sovereignty. She proclaimed in 1988: "We have not successfully rolled back the frontiers of the state in Britain only to see them reimposed at a European level with a European superstate exercising a new dominance from Brussels." Her objections were rooted in principle: "In my view, we have surrendered enough."

Her obstruction to European unity proved to be her undoing. Former Foreign Minister David Owen commented: "The Greeks understood it all. Great men and women are not brought down by lesser mortals, they are brought down by themselves." The willingness of France and Germany to relinquish more sovereignty to Europe widened the chasm between the U.K. and its continental partners. Thatcher's cabinet was rocked by high-level resignations stemming from disagreements over Europe: in 1986 Michael Heseltine stormed out because he wanted a European consortium, not one from the U.S., to purchase a British helicopter company. In 1989 Nigel Lawson left because he wanted to include the pound in EMS. The fatal resignation and the catalyst for her downfall was Sir Geoffrey Howe, the last surviving member of her original 1979 cabinet and an architect of "Thatcherism," in early November 1990. He charged in Parliament that her obstruction in Europe carried "serious risks for our nation." Within days this devastating speech led to a successful challenge to her leadership. She resigned after a historic eleven-year rule, the longest prime ministership since the Victorian era and the longest consecutive one since the Napoleonic age. It is a milestone in the history of European unity that a legendary British leader could be brought down largely by domestic political controversies relating to Europe. Nevertheless, she and her following of "Euroskeptics" within the Conservative Party continued to plague her successor, John Major (Thompson 1994, 24-7, 115-41).

In the 1980s the EC opened its door to Greece, Portugal, and Spain. Since these southern European countries had only recently emerged from military or fascist rule, they saw membership primarily as a means for stabilizing and strengthening democracy, as well as for improving the standards of living of their citizens. Greece, which had experienced military rule from 1967 to 1974, entered in 1981. Portugal and Spain, which had emerged from fascist rule in 1974 and 1975 respectively, joined in 1986. Spain had been the only country in Western Europe not to belong to EFTA, the EC, or NATO; in 1982 it became the first state to join NATO after the FRG had done so in 1955. With the inclusion of these 3 nations, the EC had doubled its size to become an organization of 12 states and 320 million people. On January 1, 1995, Austria, Finland, and Sweden became members after a majority of their voters supported entry in referenda. This raised the EU's size to fifteen states and 370 million citizens. Finland's entry expanded the EU to the Russian frontier. By 1995 the line of formal applicants had grown to include Malta, Cyprus, Switzerland, Turkey, Poland, and Hungary. The irresistible logic of European unity affects countries all over the continent.

THE MARCH TOWARD EUROPE CONTINUES

The Single European Act, "1992," and the European Economic Area. In 1986, the same year it broadened itself to include Spain and Portugal, the EC also took a dramatic step toward deepening itself. Under the dynamic leadership of former French Finance Minister Jacques Delors, who was succeeded in January 1995 as EU president by Jacques Santer of Luxembourg, it launched a Single European Act (SEA) which aimed to complete the "single market." Delors followed in a line of Frenchmen who had helped shape the institutional development of European integration: supranationalism was the brainchild of Monnet; de Gaulle tried to replace this with intergovernmentalism; and Delors presided over a renaissance of the European Commission. The Commission made the proposals, the European Council made the decisions on them, and the European Parliament commented and offered amendments but could not overrule Brussels.

SEA, which went into effect in 1987, was a catalyst to get the European train moving again. It supplemented the Treaty of Rome by setting a series of precise targets with a timetable toward the goal of one large, frontier-free market, without hidden protectionism in the form of non-tariff barriers, such as differing taxing, policing procedures, and standards which hampered trade within the EC. Its objectives included the free movement of people, goods, services and money within the EC (known as the "four freedoms"), technological development, economic and monetary union, improvement of the environment and working conditions, creation of more effective and democratic European institutions, and institutionalization of cooperation among the member states in the field of foreign policy. The target year for completion of this ambitious project was 1992, a date selected primarily for its symbolism, five centuries after the discovery of the New World.

SEA changed the way EU institutions work. To get things done, most decisions were taken by majority vote, not unanimity. As a sign of momentum, members reached an agreement in 1988 fixing spending limits for five years, thereby quieting Britain's fears of spendthriftiness. The European Commission drafted 282 community directives to replace national laws on a wide range of subjects; they began their way through various agencies and went to the twelve national governments for approval. On January 1, 1993, SEA was largely complete, and most of Europe's internal barriers fell.

In 1991 the EC and EFTA countries agreed to form a European Economic Area (EEA), which creates a market of 380 million customers extending from the Mediterranean to the Arctic and accounting for over 40% of world trade. Only Norway, Iceland, Liechtenstein, and Switzerland remain in EFTA. Within the EEA, participating EFTA members enjoy the EU's "four freedoms" of goods, services, capital, and people, but EEA does not include agriculture, fish, energy, coal and steel. EFTA members live under many EU rules although they have no voice in their writing. EEA became fully operational on January 1, 1994, and by 1995 more than two-thirds of the eighteen countries' foreign trade was being conducted with each other.

The SEA had stimulated fears in Switzerland that it could be isolated, and in 1992 its Federal Council formally applied for EC membership. But Swiss voters decided in December 1992 not to join the single market. German-speakers in the large cities said yes, but they were outvoted by rural and small-town German speakers, whose traditional fear of being absorbed by a larger Germany was revived by the Maastricht Treaty. By contrast, French-speaking Swiss, who have no fear of France, said yes. The Swiss rejection of the EEA put the country's application to the EU, for which there was no parliamentary or popular majority in 1995, temporarily on ice.

Maastricht and the Treaty on European Union. In April 1990, the European Council called for "further, decisive steps...towards European unity as envisaged in the Single European Act." At their December 1991 summit meeting in Maastricht, a Dutch town on the German border, EC leaders agreed to create a single European currency and central bank, to establish close cooperation on justice and home affairs, and to move toward common defense, foreign, and economic policies by the end of the century. It was agreed that the WEU would be revived to serve as Europe's own defense system, albeit "linked to" NATO. On February 7, 1992, the Treaty on European Union was signed. It aimed at fulfilling the dream of political union to parallel the economic union developed in the Single Europe Act.

The treaty was highly controversial in some member states. In France it was accepted in a referendum by the narrowest majority. Danish voters rejected it once. Only after Denmark negotiated an exemption from the single currency and the provisions on defense, foreign and judicial policies, and European citizenship, did the Danish government sign the treaty. Extremely heated debate in the United Kingdom forced the British government to negotiate the right to "opt out" both from the goal of a single currency and from the commitment to coordinate "social policy." Many supporters were critical of this *à la carte* approach allowing members to sign up only for the policies they like, but compromise was essential. The treaty became effective on November 1, 1993, following ratification by Germany, the last of the twelve member states to adopt the new union.

EU Response to the Collapse of Communism in Eastern Europe. The decade of the eighties ended with some of the most profound changes in European history. In the wake of dramatic changes in the Soviet Union made possible by a reform-minded Mikhail Gorbachev, who took the reins of power in March 1985, one after the other Eastern European nations threw off the shackles of communism, had at least partially free elections, and pledged to abandon their planned command economies for free market systems. In December 1991 the Soviet Union itself collapsed, and its fifteen republics became independent. The failures of communism led Eastern Europeans to look toward Western Europe for inspiration, where a magnetic power of freedom and prosperity emanates from the peoples. Their diverse experiences and experiments are useful and instructive, such as Spain's and Portugal's rapid development of democracy after decades of dictatorship. Western Europeans steer their own destinies and are poised to create the world's largest market, which can protect and expand their prosperity in the twenty-first century.

The EC had no contingency plans for such a sudden collapse of the Soviet Union and its empire. As a result, the member countries were divided about how to respond, just when the SEA and the Maastricht Treaty sought to "deepen" the community's integration. Some opposed "deepening" the supranational institutions of the EU instead of remaining more open to the fledgling democracies in Eastern Europe. They argued that it is no time to create new institutions and to weaken national parliaments just when Eastern European nations are digging themselves out from under their stultifying bureaucracies and breathing new life into their legislatures. Others argued that the EU should not be induced to sacrifice its achievements and solidarity by agreeing to be merged into a kind of huge, loose pan-European conglomeration with countries whose democratic and capitalist experiments could not yet be regarded as successful and lasting.

There are many practical problems that will prevent Eastern European countries from being admitted soon as full EU members. The EU was structurally designed for six countries, and it is already experiencing difficulty coping with fifteen. Eastward expansion would increase the club to a score or more members and seriously affect voting rules and the balance between large and small countries. The comparative advantages of former communist economies are often in industries, such as iron and steel, in which the EU is already trying to prop up its own uncompetitive firms. Enlargement to include weak Eastern economies would also threaten the main recipients of EU development funds, especially Spain, Portugal, Greece and Ireland, as well as constituencies, particularly farmers in all EU countries, who benefit from the current budget arrangements. All would object to any new members claiming a slice of the pie at their expense. Since the EU accepts new countries only by unanimity, delay is certain.

The only instant new members of the EU were 16 million East Germans. Upon the FRG's insistence, they had always enjoyed the privilege of selling their products in the Common Market on the same terms as West Germans. The downfall of the German Democratic Republic (GDR) made German unification possible on October 3, 1990. This was an event that had always been one of the principal aims of European integration. Monnet's Action Committee had noted on June 1, 1964: "The participation of the German Federal Republic in the European Community and in the West has already given the Germans a future shared with the other peoples of Europe. The reuniting of the Germans in the European Community in the making is an essential condition for peace" (Fontaine 1990, 37). Nevertheless, old fears of combined German power had not been stilled by the 1990s. To be unthreatening, a unified Germany had to be part of something larger than itself. The most important German reassurance was to press hard for further European unity and to create, as novelist Thomas Mann put it, "not a German Europe, but a European Germany." The French were especially determined to dilute German power by binding it more tightly into Europe, and the government of Helmut Kohl was a willing partner in this.

Eastward expansion would endanger EU efforts to dismantle its internal borders. In 1985 representatives of a group of EC countries met in the Luxembourg village of Schengen to launch a movement to do away with border checks along their common borders. By 1995 this Schengen agreement applied to all EU countries except the UK, Ireland, and Denmark. The problem is that people flee from collapsing empires and economies. The peace settlement after the First World War had left a quarter of Eastern Europeans as minorities under alien rule, and each of the fifteen former Soviet republics is a patchwork of ethnic groups. Communism's released grip, the breakup of the Soviet Union and its Eastern European empire, and the splintering of multinational states such as Yugoslavia, unleashed a westward migration which could become a flood. Economic distress and population explosions in northern and western Africa also sent millions of Arabs and Africans northward. Such a massive influx threatens to overwhelm welfare systems, exacerbate social unrest in Western Europe, and endanger the EU's free flow of goods, capital, and people. In this century massive migrations in Europe have sparked ethnic massacres and pogroms. It is causing domestic backlashes and fueling the rise of xenophobic right-wing parties, despite the facts that foreigners are needed in many prosperous countries to do dirty and dangerous work and to compensate for low birth rates. In 1993 EU countries consulted with each other before introducing stricter controls along their external frontiers to stem the entry of illegal immigrants and refugees.

The dramatic changes in the East reminded the EU how it needed to take the lead in European cooperation and assistance. It assumed the task in June 1989 of coordinating Western aid to Eastern Europe. It proceeded to conclude trade agreements with many former Soviet block countries. In June 1993 it recognized that the "European Agreements" signed with Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria would be viewed as a step toward the ultimate goal of full membership. It offered these six partners free trade with the EU in industrial goods in 1995 and promised to extend this to steel in 1996 and textiles in 1997. In June 1994 the EU signed a "Partnership and Co-operation Agreement" with Russia establishing a framework for creating a free-trade zone after 1998. Former EU President Jacques Delors called this "the most important agreement that Russia has ever signed with the West" (*Washington Post*, June 25, 1994, A18). The EU signed a similar agreement with the Ukraine in 1994.

Despite many challenges and difficulties, the dream of European unity is still intact. No member wants to leave the EU, and many countries are lining up to join. Prosperity in the world's largest market is envied throughout the globe, and the chances of war among its members are nonexistent. This continued success and progress would give great satisfaction to Jean Monnet, who had always kept on his desk a photo of the raft *Kon-Tiki*, which had crossed the Pacific Ocean. He explained that

> *"this adventure had thrilled the whole world, and... for me was a symbol of our own. Those young men... chose their course, and then they set out. They knew that they could not turn back. Whatever the difficulties, they had only one option—to go on. We too are heading for our objective, the United States of Europe; and for us too there is no going back"* (Monnet 1978, 524).

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Chapter 2

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HISTORICAL PERSPECTIVES ON EUROPEAN UNIFICATION

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Michael D. Gordon

Chapter 2

Historical Perspectives on European Unification

Michael D. Gordon

INTRODUCTION

The purpose of this book is to clarify the significance of the economic, political, and cultural developments that are often described as "1992 and the Unification of Europe." Such a description is somewhat misleading, the process is not really one of unification, and the arena is not Europe; nevertheless, the term has gained popular currency and efforts to replace it with something more precise are probably futile. But, if the term is to be used, it is important to be aware of its inaccuracies.

Surrender of Sovereignty. Since the beginnings of the modern state system centuries ago, one of the cardinal rules of statecraft has been the retention of sovereignty. Thomas Hobbes' classic description in the seventeenth century of the state as Leviathan, "that of which nothing is greater," reflects the concept of the state as a sovereign entity, a power that has ultimate political and legal authority. Sovereignty can be viewed in both its external and internal dimensions. Externally, in its relations with other states, both international law and modern diplomacy assume that each state is, at least on a legal basis, equal and independent. Internally, in its relations with its citizens and subsidiary jurisdictions, both law and politics are based on the premises that the state is the highest power and that both legal appeals and political demands cannot go outside and beyond the state.

In reality, of course, not all states have been true sovereign entities. Weaker powers have deferred to and been dominated by more powerful ones. Instances of greater states dictating to lesser states in both external (diplomatic) and internal (political and economic) matters are common in the history of the last several centuries. Nevertheless, such instances are seen as exceptions (though they may not be exceptional) in the general scheme of a world community composed of states that are essentially independent and sovereign entities.

The surrender of sovereignty therefore is something that a state does only under exceptional circumstances. The most common example is, of course, as a result of war. From the partitions of Poland in the eighteenth century to the partition of Germany in the twentieth century, states have relinquished sovereignty only when they are defeated or otherwise forced to do so. Are there any examples of states voluntarily abandoning their sovereignty? Are there any examples of states doing so from a position of strength and not weakness? If any, they are rare.

Yet such a surrender of sovereignty is precisely what this book describes and analyzes. The states of the European Union have chosen to relinquish a number of their sovereign powers. This decision and the processes that have evolved from it are without parallel in modern history. Yet, it is important to realize that the processes to be discussed in this book are not necessarily, in themselves, aimed at creating some kind of European "super-state."

The central "event" that occurred in 1992 was neither political nor economic; rather it was legal. Each member country of the then-European Community had agreed that, by the end of 1992, it would ratify a number of directives and regulations that had been approved by the European Community institutions. While the national political process might vary somewhat from state to state, each of the member states committed itself to transpose these regulations into its own national legislation. These 290 directives cover a wide range of subjects that were to be implemented by December 31, 1992. As described in greater detail in Chapter 6, the implementation is essentially irreversible and exceptions are subject to the approval of European Union-level institutions.

Economic and/or Political. Unlike the Maastricht Treaty, the primary scope of the "1992" directives was economic. The specific goal to be achieved was the completion of the European Community's internal market. The objectives that were articulated in the mid-1980s proposed removing all obstacles to the free movement of persons, goods, services, and capital. While there certainly are political, cultural, and social implications in the development of the internal market, and these are discussed throughout the following chapters, it is important to note that the initial agreement to implement the directives was conceived in a context that emphasized these economic goals. There was a widespread consensus within the European Community on the economic dimension, but in other areas there is much less agreement.

Unification vs. Integration. It is misleading to speak of European unification. Rather it is more accurate to speak of European integration. The completion of the internal market is a step toward the economic integration of a significant part—though certainly not all—of Europe. Whether this integration will lead to some kind of unification is not at all clear. While the Treaty of Rome, which established the European Community in the mid-1950s assumed that economic, social, and political unification would eventually develop, it was only by focusing on economic integration that the processes that culminated in 1991 began. The degree to which countries can have a shared economy without a shared polity is not clear, nor is it clear how desirable such a goal would be. Insofar as the term unification carries with it the implication of the formation of a large political state, it may be appropriate to either avoid using the term or to do so only with an awareness of its ambiguity. It seems certain that economic integration will occur, it is much less clear that unification will follow, despite the Treaty on European Union.

What will be the significance of European unification? Obviously, this question can not be definitively answered. Nevertheless, some tentative assessments can be offered. The picture that emerges, however, will vary depending on the perspective employed. There are at least three separate perspectives from which European unification can be viewed.

A NATIONAL PERSPECTIVE

The national perspective is the most familiar of the three. In the United States, European history is traditionally taught and thus seen as the cumulative history of individual nation-states. In Europe, where the concept of European history is a recent innovation, what is usually taught is the particular history of individual nation-states. Even those phenomena that transcended national units are seen in a national perspective; thus, one speaks of the Italian Renaissance and the German Reformation, the French Enlightenment and the English Industrial Revolution. The emphasis is consistently on national units. The emphasis on national units is in part an acknowledgment that a lack of political unity is one of the distinguishing characteristics of European civilization.

Culture. There has always been a cultural unity to the history of Europe (or at least to the history of Central and Western Europe). Initially based on Western Christianity, with the adoption of the Roman Rite in the Early Middle Ages and the growth of a Latin high culture in the High Middle Ages, this cultural unity was well established by the end of the Medieval Period. Artistic models and intellectual formulations moved back and forth across Europe as easily as did churchmen, scholars, and students. The early modern period saw this cultural unity became more secular, as it moved away from a Latin-based, church-oriented foundation toward one based on vernacular languages without an ecclesiastical foundation. It was during this period that the concept of Christendom was replaced by that of Europe, but—with the notable and partial exception of religion—the unity persisted. The nineteenth and twentieth centuries are also marked by a cultural unity. While some cultural areas did become fragmented—for example, legal studies—artistic movements such as Impressionism and literary genres such as Romanticism were European-wide. In 1900, just as in 1300, science and philosophy were modes of inquiry that transcended national borders. The unity of European high culture has persisted until today.

Economic. The economic dimension of European history has, of course, not seen a unity resembling the cultural dimension. The completion of the internal market and the integration of national economies are phenomena of the future, not the past. Nevertheless, the economic dimension has not been marked by the fragmentation that characterizes the political dimension. At first, in the Early Middle Ages, long distance and inter-regional trade were primarily characterized by luxury goods and only had an impact on the highest elites of society. Later, however, the High Middle Ages saw the formation of regional trading areas (e.g., the Hanseatic League), which moved commodities as well as luxury goods. The inclusion of commodities such as timber and metals served to draw larger segments of society into an economic world. By the end of the Medieval Period, the regional trading areas had been incorporated into a larger one encompassing all of Europe (indeed, it extended to neighboring "continents" as well), and the diffusion of commercial practices had been extended throughout society, even to the level of peasants living in Alpine regions.

At the beginning of the Modern Era, few Europeans lived by barter and even fewer communities were economically self-sufficient. The protectionism that sporadically characterized the Early Modern and Modern Eras, i.e., from the seventeenth century through the twentieth, did not produce autarchic communities; rather all it did was attempt to control trade between various regions and to regulate, but not eliminate, economic interdependence. Just as European history has been characterized by cultural unity, so too it has been characterized by economic interdependence.

Political. A prize is periodically awarded in Brussels honoring individuals, such as Jean Monnet, who have contributed to European integration. The name of this award, the Prix Charlemagne, honors the role of the great Frankish emperor, Charlemagne, as the "Father of Europe" (*pater europae*). While it certainly is appropriate to acknowledge Charlemagne's role as the first individual to rule over a united Europe, it is even more important to realize that he was also the last to do so. While the temporary success of the Carolingian Empire in the eighth century bequeathed the ideal of a united Europe, the collapse of that empire in the ninth century ensured that such an ideal would not be realized. There have been periods when it looked as if some kind of European unification would be possible, for example in the sixteenth century with Charles V, and occasional attempts to conquer Europe have arisen, such as Napoleon in the nineteenth century and Hitler in the twentieth. None has succeeded. The cultural unity and economic interdependence that distinguishes European history have not had a political counterpart. Rather, a fundamental quality of European civilization is the lack of political unity.

Uniqueness of Nation-State. The emphasis on national units is also an acknowledgment of the uniqueness of the European nation-state. Types of political organization in major civilizations seem to follow one of two patterns: the city state or the territorial empire. Western Civilization experienced both of these patterns with the city states of Classical Greece giving way to the Roman Empire. But other civilizations have seen a similar process, e.g., the Sumerian city states being replaced by the Babylonian Empire in the Middle East.

These two varieties of political organization can be seen as having complementary strengths and weaknesses. On the one hand, the city state offered its citizens an extraordinary degree of participation and involvement, but did so at the price of internal instability and external vulnerability. On the other hand, territorial empires offered internal stability and external protection, but did so at the price of individual alienation and lack of involvement. The territorial nation-states that began to form in the High Middle Ages combined the strengths of both city state and empire, while avoiding their weaknesses. Countries such as England and France were strong enough to provide internal stability and external protection. At the same time, they developed institutions that provided participation and involvement to many of their inhabitants. From this perspective, the nation-state seems to be a unique political entity in Western history, and perhaps in World History as well.

European History a Process of National Unification. The awareness that European history is characterized by political disunity and that the nation-state is a unique entity has led historians to focus on the nation-state and the factors that gave birth to it. As European history is conventionally viewed, one of the primary historical forces at work is the process of national unification.

France and England (and to a lesser extent Spain) are often viewed as exemplars of this process. England seems to have achieved national unity early, in the High Middle Ages, and this precocious accomplishment can be used to explain much that is distinctive in English history. France also achieved a kind of national unity by the end of the Medieval Period, and much of its subsequent history, particularly leading up to the Revolution of 1789, is seen as one that involved the completion of this process of state building. The formation of a Spanish state, with the alliance of Castile and Aragon in the fifteenth century, was less thorough than developments in France, and the subsequent instability of this alliance is seen as explaining the imbalances and internal discord that characterized Spanish history from the sixteenth through the twentieth centuries.

If Western Europe was marked by the process of national unification, then Central Europe was marked by the failure of this process. Both Germany and Italy are seen as departing from the French model, as neither formed national states in the medieval or early modern periods. The lack of national unity becomes a primary explanation for much that is distinctive in Italian history, for example, the Renaissance. Much of the discussion of medieval German history is devoted to explaining why it did not achieve national unity, while the story of modern Germany is that of the belated realization of a German state. Many of the wars of the nineteenth century can be seen as part of this process of German unification; and the two world wars of the twentieth century can be viewed as resulting from its success.

Insofar as Europe east of Germany and Italy is given much attention in American history courses, what is acknowledged is the absence of the drive towards national unity until relatively modern times. While some attention is given to those countries that seem to have a distinguishable national identity, such as Poland and Greece, Eastern Europe is seen as being characterized by multi-national states such as the Russian and Austro-Hungarian Empires. Little attention is given to the history of these states until the nineteenth century, when their history becomes one of collapse under the pressure of political nationalism.

Significance of European Unification. If European history is a process of national unification, then the formation of the European Community becomes an event of extraordinary significance. As described previously in Chapter 1, the first moves toward the formation of a European Community were taken soon after the end of World War II with the goal of eliminating the possibility of such a war occurring again. The wars that have characterized the history of Europe for the past two centuries are customarily seen as the result of national conflicts, either as part of the very process of national unification, as in those of the nineteenth century, or as a result of tensions and conflicts between national states, as in those of the twentieth century and those of the Napoleonic period. If European wars have been the result of the coexistence of sovereign nation-states, then it logically follows that a development that reduces the force of political nationalism and minimizes the tension between sovereign nation-states will serve to lessen the historical causes of conflict in Europe.

The history of Europe since at least the seventeenth century is a history of nation-states. Concepts such as sovereignty, citizenship, and patriotism are ones that arose in the context of nation-states. What will such concepts mean in a world not divided into such states? What will sovereignty mean in a situation where individual states cannot determine who will enter their country? What will citizenship mean when legal systems are determined by extra-national bodies? What will patriotism mean when national identity becomes less significant? Is it possible for states to retain sovereignty in some areas, such as defense, and relinquish it in others? While the answers to these questions are far from clear, it does seem clear that European unification will change the very way states view themselves and each other. If European history has been the process of national unification, then the events of 1992 and the Maastricht Treaty surely mark a new direction for and a new era in the history of Europe.

A EUROPEAN PERSPECTIVE

State and/or Nation. While the national perspective described above is the most familiar to Americans, it is not the only way to view European history and, hence, not the only perspective from which to view European unification. Another perspective is called a "European" perspective because it places the process of national unification described above in a somewhat different context. It does not deny the importance of the nation-state to the modern history of Europe, but its focus is both broader and deeper.

Both nationalism and the nation-state rest on the assertion that states and nations should be coterminous, i.e., that the entirety of a nation be included within one state and that a nation not be governed by a state with a different national identity. In short, political nationalism asserts that there should be an identity between nation and state, and the result of this identity is the nation-state. Many characteristics can define a national group and give it an identity. This identity, then, can be used internally to identify those individuals to include and externally, to identify those individuals to exclude. In Western Europe, an area marked originally by ethnic heterogeneity and religious homogeneity, the primary characteristic that defined national identity was language. But if nationality was defined by language, what then defined language? Before the mass communication and standardized language of modern society, Europe was marked by ranges of spoken languages or dialects that varied from region to region. The process that elevated one such dialect to a language and hence to the identifying characteristic of a nation was itself the result of historical happenstance. The European perspective recognizes the problematic aspects in the identification of nation and state; it realizes that nations may not be distinct and easily identifiable entities and, hence, that the identification of nation and state may not be applicable to all of Europe.

Western Europe. Even in Western Europe, where the nation-state was born, the process of national unification can be viewed as less universal and more problematic than the national view would suggest. It is important to realize that both the ideology of political nationalism and the institution of the nation-state are creations of Western Europe. The very first states to construct states approximately coterminous with national borders were those bordering the English Channel and political nationalism was born in and spread by Revolutionary and Napoleonic France. The question then can be asked whether these ideologies and institutions have the same meaning and significance when translated to different environments. National unification may look very different when viewed in these contrasting contexts.

What distinguishes a language from a dialect is historical development. Because the French state and the French language grew from Paris—the first French kings were the Counts of Paris and their language was the Parisian dialect—both state and nation grew together. Paris became the royal capital and the Parisian dialect became standard, literary French. Thus, it was relatively easy to define nationality with language; indeed, the identification of state with nation was itself a result of this historical coincidence of state with language. Thus, it was the political predominance of Paris that defined Parisian as the French language and the languages spoken in other parts of France as dialects. From the perspective of many of these other regions, the growth of the French state was seen less as a process of national unification and more as one of political and cultural domination.

The Romance dialects based on vulgar Latin that were spread around the Western and Northern Mediterranean in the Early Middle Ages were not reflections of national divisions. The Pyrenees Mountains, which now separate France and Spain, two nations and two states, used to join two regions, Languedoc and Catalonia, which shared as much "national identity" with each other as they did with Northern France and Castile. It was the growth of states, with capitals in Madrid and Paris, which ensured that the language spoken in Southern France be regarded as a dialect of French and that of Northern Spain as one of Spanish. The growth of the nation-states which characterize modern Western Europe was not an inevitable and inexorable process of national self-determination.

Nor are nation-states ubiquitous even in Western Europe. Belgium, the country where the headquarters of the European Union are located, is clearly a state, but certainly is not based on a Belgian nation. Much of the modern history of Belgium, since its "liberation" from "foreign" rule in the early nineteenth century, has been an apparently futile effort to construct a nation where one did not historically exist.

Central and Eastern Europe. When one looks at other parts of Europe, areas that did not share the historical experiences that created the identification of nation and state in Western Europe, the theme of European history as national unification becomes even more problematic. National identities have of course emerged in the modern history of countries such as Germany and Italy, though their development was not a smooth path toward national self-determination. The Holy Roman Empire, though not a vehicle in the Middle Ages for Germany unification, provided enough political and cultural structure in the Early Modern Period that there still was a Germany for Bismarck to unify in the nineteenth century. In a sharp contrast to the situation in France, Italy formed a national identity based on cultural, not political dominance, as the Tuscan dialect of Florence, the home of Dante and Petrarch, became the basis for a consciousness of national unity (at least among the educated) many centuries before it was institutionalized politically. The existence of Switzerland, a state that shares several national identities and languages, and Austria, a German state that has never really been part of Germany, are clear reminders that nation-states did not "grow naturally" in Central Europe.

As one moves farther East, the applicability of the nation-state as a viable method of political organization becomes even more problematic. While there are countries that have a continuous national identity historically, they are the exception rather than the rule: Poland is the best example here of an historic nation, though its history as an independent state has been at relatively sporadic intervals. Hungary is perhaps another, though it too has rarely been independent, and its national consciousness was based on economic class factors as much as ethnic ones. In the rest of Eastern Europe, the nations that form the basis for nation-states are difficult to find. The Serbian nationalism, which provoked World War I and is now a key ingredient in the war in the former Yugoslavia, had to be deliberately invented in the nineteenth century. The question of what now constitutes the national borders of Romania is no clearer now than it was after World War I or throughout the nineteenth century.

The efforts of Woodrow Wilson after World War I to implement national self-determination are now seen by historians as an attempt, based either on naiveté or cynicism, to provide the impossible. The short-lived and unstable regimes that were established in Eastern Europe in the inter-war period seem to demonstrate the futility of national self-determination in an area without a history of national identities. From this perspective, the growth of Soviet power in Eastern Europe after World War II can be seen as a reincarnation of the multi-national empires that existed in that area before World War I. Furthermore, the implosion, first of Soviet power in Eastern Europe and then of the Soviet Union itself, can be seen as another step in the process that destroyed Austria-Hungary and the Ottoman Empire in the last century.

From the European perspective, the significance of European unification becomes quite problematic. Awareness of the historical happenstance that created nation-states makes us aware of the fragility of the nation-state in Western Europe. Contemporary developments in Eastern Europe remind us that European unification is a phenomenon of only part of Europe.

Destabilization. As described above, the growth of the European Union necessarily involves a weakening in the power of each of the component members. What will be the internal effects of such a lessening of national power? Will there be a resurgence of regional separatism? Will separatist movements that have long advocated political independence, such as the Basques in Southern France and Northern Spain, renew their energies? Will separatist movements that have emphasized cultural more than political factors, such as the Welsh in England, become more politically focused? What will be the policies of the European Union towards these "sub-national" groups? Was the recent decision by the then-European Community to recognize Catalan as an official community language a unique event, not to be repeated? Or will other minority languages, e.g., Bréton in France, get similar status? Will the diminution in the power of states such as France and Spain lead to regional rivalries, ethnic tensions, and general instability? Such a scenario is certainly a possibility.

When one looks outside the European Union, to the countries of Central and Eastern Europe, the possibility of instability and strife becomes even more probable. The collapse of the Soviet-oriented Eastern Bloc nations presents three distinct problems to the European Union. First, the future of countries such as the former Yugoslavia is not at all certain and the likelihood of ethnic strife in Eastern Europe has become vastly greater. If violence becomes common in these areas, will it be localized? Or will it spread throughout Europe and draw in the European Union? Will individual members of the European Union become more interested in developments on their Eastern borders and less committed to the task of European integration? Has such a development already occurred in Germany?

Second, the prospect of wide-spread immigration into the European Union from Eastern Europe has greatly increased. Given the policy of free movement, legal entry into just one EU member country allows free movement within all members. What will be the economic and social consequences of such massive immigration?

Third, a major issue facing the European Union will be that of "widening." That it can and should expand beyond its present membership is a formal goal of the Union. But at what speed? And with what priorities? And with what consequences? The issues of immigration and widening will be discussed in the following chapters, but it is useful to keep in mind that developments in Central and Eastern Europe are the contexts in which these issues arose and have to be confronted.

A GLOBAL PERSPECTIVE

Rise or Decline? This perspective looks at European integration not from the national or even the European viewpoint, but rather from an even larger one. It acknowledges the global environment in which both the history of Europe and the history of the European Union itself developed.

European history is, of course, only a part of a larger history. From the perspective of global history, European integration may be the beginning of a new era in global history. According to most formulations of world history, the period from the fifteenth and sixteenth centuries through the nineteenth century is characterized as one of European domination of other parts of the globe. Beginning with the voyages of discovery, Europe began to conquer, colonize, and exploit native cultures and civilizations. The culmination of this domination was the transferal of European civilization abroad, to countries such as the United States, and finally the spread of imperialism throughout the nineteenth century.

The twentieth century has seen two developments that reversed this pattern. On the one hand, movements for independence from colonial status have characterized much of the current century as the imperial states constructed in previous centuries finally disappeared in the years following World War II. On the other hand, the rise of the "great powers" of the United States and the Soviet Union seemed to relegate the European countries to a lesser status. Both developments reinforce the perception that the twentieth century has seen a weakening of Europe's role in a global society. Will European unification continue this role, albeit under a different institutional formulation? Or will the European Union play a new and different role in global history and politics?

Two Dynamics. Global politics in the years since World War II have been characterized by two dynamics. Both of these have shaped the role Europe has played in world history.

The first is that of the Cold War that provides the context within which European history since 1945 has developed. It is important to acknowledge that the movement for European unification arose in a context that was shaped by external events. American hegemony, both military and monetary, was the "umbrella" under which European unification was conceived and implemented. The existence of a great-power duality between the United States and the Soviet Union was a given in European views of both present and future. If, as seems likely now, America's military and financial umbrella is removed and the Soviet Union no longer plays the role of great power, what then will happen to the European Union and its member countries? In particular, what will be the implications for matters involving military and national security?

The other dynamic is that between the industrialized and non-industrialized countries of the world. For the countries of Western and Central Europe that comprise the European Union, their legacies as the birthplaces of both industrialism and imperialism combine to form a "special relationship" between Europe and its former colonies. While individual countries, such as England and France, have taken very different routes in defining and maintaining this relationship, the future of it is necessarily problematic. Will the cultural and economic ties that have characterized many of these relationships, including those between Spain and Latin America, survive? What will be the policies of the European Union itself towards Europe's former colonies?

EUROPE AS SUPERPOWER

Economic. What will Europe's role be in the twenty-first century? Even if European integration goes no further than the completion of the common internal market, it seems clear that the European Union will emerge as an economic superpower. As discussed more fully in later chapters, the Union's economic potential, even at its present size, rivals that of Japan and the United States. Will the twenty-first century see a tri-polar global economy centered in New York, Tokyo, and London/Berlin? What will be the relationships among these three economic superpowers? What will be the relationships between them and the rest of the world?

Political. Will European integration stop with the completion of the common internal market and the Treaty on European Union? Or will economic power transform itself into political and military power? Until the post-1945 world, there are few if any examples of states that had economic, but not political power. Contemporary Japan is, of course, the one exception. Will its pattern be repeated? Or was it a unique result of the bi-polar distribution of power between the United States and the Soviet Union? Will the twenty-first century be one in which economic power is shared among three states, while political and military is not shared? Or will more conventional patterns emerge as Japan or Europe or both fill the gap left by the implosion of Soviet power and transform their economic capabilities into political and military power?

CONCLUSION

There is an inherent difficulty in assessing the significance of contemporary events. Significance often has an historical connotation. Historians discuss the significance of particular events and/or developments from the vantage point of knowing what followed these events and developments. Hence, it is often said that only history, i.e., the future, can assess the true significance of contemporary events. For these reasons, the "significance" of a contemporary event such as European unification cannot be accurately predicted and thus not precisely known. From whatever perspective European unification is approached, the ambiguities and uncertainties that emerge make precise assessment impossible. But one conclusion can be stated confidently, and it is one that emerges equally strongly from the National, from the European, and from the Global perspectives: something very important is happening in Europe.

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Chapter 3

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THE EUROPEAN UNION: GEOGRAPHIC PERSPECTIVES ON UNIFICATION

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Howell C. Lloyd

Chapter 3

The European Union: Geographic Perspectives on Unification

Howell C. Lloyd

INTRODUCTION

Progress toward European integration must be recognized in the context of the considerable spatial variations inherent in the geographic environment. Europe, for its relative area, is extremely complex in terms of both human and physical patterns. Significant variation within relatively short distances, whether it be measured in terms of ethnicity, physiography, levels of economic development, or political jurisdictions, is a hallmark of the European scene. This variety is what makes study and travel in Europe so fascinating for Americans, yet has contributed to Europe's turbulent history of human misunderstanding and conflict. Simultaneously it renders the post-World War II accomplishments and progress toward unity in Western Europe the more remarkable. Attaining a truly integrated European community means transcending diversity and difference while strengthening unity and cooperation.

The influences of geography together with the legacy of history impact upon this process in a myriad of ways. As modern Western Europe has grown together through the efforts of sovereign governments, organizations, and individuals, overcoming historical and regional differences, there has evolved a simultaneous consciousness that increasing homogeneity may well accelerate the decline of local and/or regional individuality. Thus, the goal of European integration is being accompanied by efforts designed not to impede this progress, but yet to assure the preservation and even enhancement of traditional regional identities.

An understanding of the challenge of European integration, therefore, must initially incorporate knowledge and recognition of fundamental geographic characteristics. One must grasp the basic framework in order to comprehend the individual elements and their interrelationships as parts of the whole. The "European stage" can be perceived as a series of interrelated elements: the physical setting, demographic, cultural and political patterns, and the distribution of major economic activities.

DIVERSITY WITHIN UNITY: FUNDAMENTAL GEOGRAPHIC PATTERNS

Physical Geography: Physiography. (See Figure 1) As the "stage" upon which human activities through time are played, physiography, i.e.: the major landform character, together with its underlying geology strongly influence the nature and development of such activities. Fundamental characteristics of the physical landscapes impact directly upon regional differences in agriculture, industry, transportation, population distributions and densities, and settlement patterns. In turn, meeting the challenges inherent in bringing unity and relative equality to any broad area such as the European Union involves transcending such spatial variations.

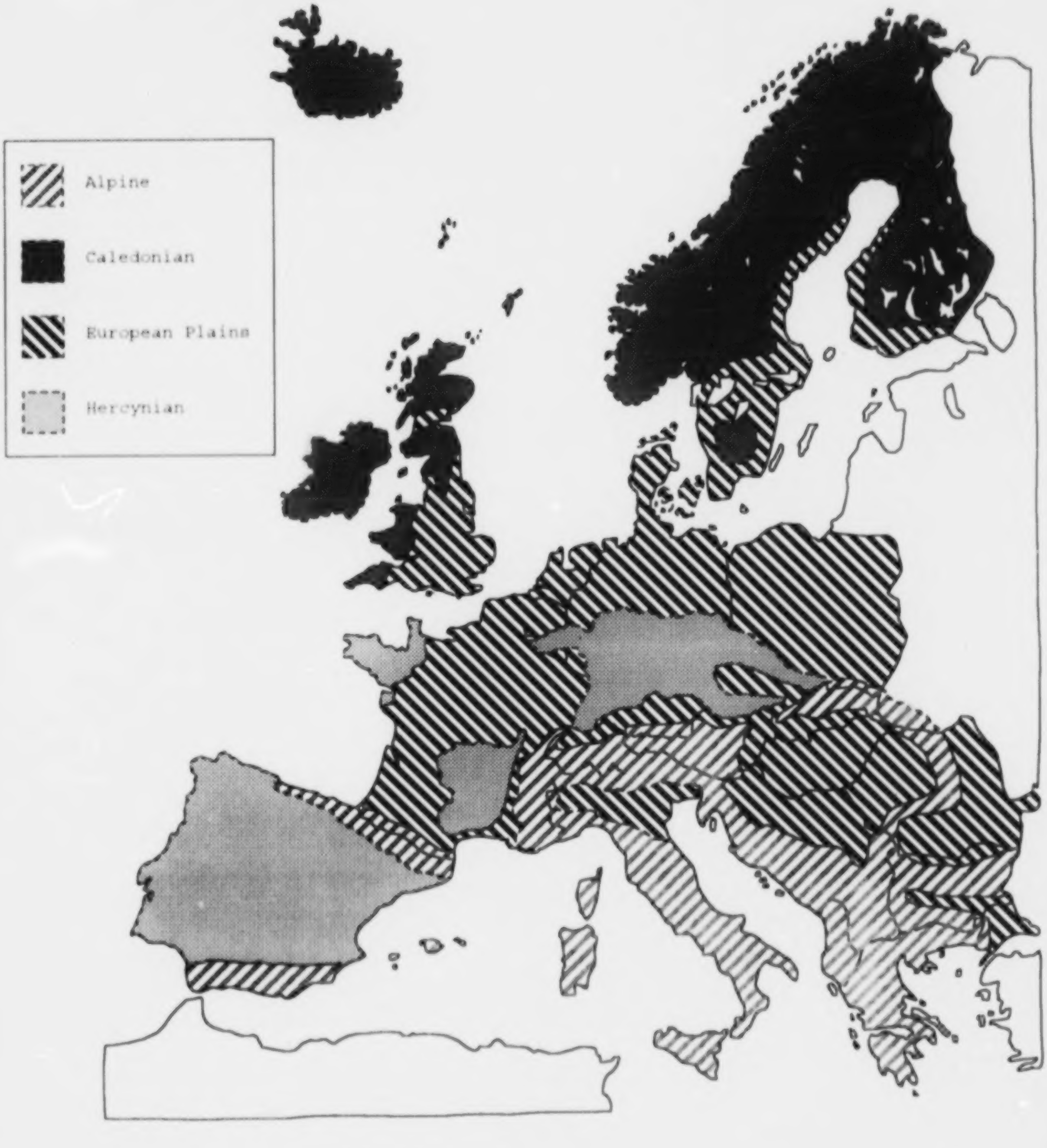
Europe, for clarity, may be described as possessing four principal and distinctive physiographic (landform) regions, each displaying basic similarities. In geologic age, the most ancient of these regions is *Caledonian Europe*, encompassing the highlands of the British Isles (Scotland, northern England, Ireland, Wales), Norway, central and northern Sweden, and Finland. Largely underlain by ancient metamorphic crystalline bedrock, its geology precludes the presence of fossil fuels, so that in Caledonian rock strata coal, oil, and natural gas are essentially absent. Additionally, much of the region is mountainous and soil formation upon such resistant bedrock is very slow, minimizing the availability of level fertile agricultural land. Most of this portion of northern Europe also was glaciated, so the region is characterized by considerable areas of thin soil cover, exposed bedrock, and surface water. Its northerly location simultaneously means a cooler climate contributing to the slow process of soil formation. Since much of Caledonian Europe is exposed to the year-round influx of cool, damp air masses brought by the prevailing westerly winds from the Atlantic Ocean, the soils are relatively acidic.

Lacking both the coal resource essential for heavy/basic industry and any significant areas of fertile soils, the Caledonian highlands experienced little traditional 19th-century industrialization or urbanization, nor has it been able to sustain dense rural agricultural populations. Its relative isolation from mainland Europe and interior physical barriers to easy land communications have combined with the other attributes to mark this as part of Europe with a history of significant population outmigration, and limited and gradual industrial development. Most of Caledonian Europe is sparsely populated today and attracting economic development and diversity is exceedingly difficult.

The Great North European Plain constitutes that physiographic region south of Caledonian Europe, extending from the Atlantic seaboard eastward into the plains of Russia. In extreme contrast to Caledonian Europe, this area is geologically the youngest of the major landform regions of Europe and is underlain primarily by sedimentary bedrock (limestones, sandstones, shales). It encompasses a broad sweep of territory in a continuum from southwestern France across central and northern France, Belgium (except for the southeastern Ardennes forest region), the Netherlands, northern Germany, Poland, and into Russia. Also included are the lowlands of England, Denmark, and portions of southern Sweden. Essentially void of any significant physical barriers to movement, the North European Plain has long provided the major east-west routeway across continental Europe. Traversing this plains region toward the Atlantic, English Channel, North and Baltic Seas flow several of Europe's most important navigable rivers which further enhanced commerce. These include the Seine, Scheldt, Maas/Meuse, Weser, Elbe, Oder, and most importantly the Rhine and its major tributaries. Simultaneously the North European Plain possesses some of the most fertile soils and, therefore, a history of relatively intensive agricultural pursuit.

This plain being sedimentary, not only has soil formation been facilitated, but carboniferous formations occur in the sedimentary strata providing Europe's most extensive fossil fuel reserves. Among the examples are the coal mining areas of northeastern and Midland England, West Yorkshire, South Wales, southern Belgium, the German Ruhr, and Silesia in southern Poland. These locations became the centers of heavy industrial development in the 19th century. More recent have been the discoveries and exploitation of large natural gas deposits (e.g. Groningen Province in the Netherlands) and oil from the North Sea. The bed of the North Sea is physiographically merely an extension of the European Plain below sea level. With the assets of relatively level and fertile land, reliable and plentiful rainfall,

FIGURE 1
Physiographic Regions


Alpine
Caledonian
European Plains
Hercynian
MILES
0
250
500

good harbors and navigable rivers, and mineral wealth, it is the North European Plain which exhibits the greatest clustering of population, industry and urban centers, and highest density of transportation networks.

Although not contiguous to the North European Plain, other more isolated fertile plains areas occur on the European landscape and support outlying centers of development and population concentration. The most significant of these within the context of the European Union is the plain of the River Po and its tributaries, a productive and populous basin which dominates northern Italy, south of the Alps. The other large fertile plains regions are in East-Central Europe, the middle Danube River Basin centered on Hungary, and the lower Danube and Moldavian plains of Romania.

The third major physiographic region is less contiguous in its location and thus displays a fragmented pattern when mapped. *Hercynian Europe*, sometimes referred to as the central plateaux and hills, is composed of more ancient crystalline blocks or "horsts," uplifted by tectonic activity in geologic history. Interspersed between these uplands are the geologic fault valleys or "graben." The latter have long been critical for they provide the primary overland routeways from the North European Plains inland. Among the most prominent of the upland blocks are the Spanish Meseta, the Massif Central of south-central France, the Vosges Mountains in Alsace, and the Black Forest area of southwestern Germany, the Middle Rhine Highlands of west-central Germany and its extension, the Ardennes of Belgium and Luxembourg, the scattered hill lands of east central Germany including the Harz Mountains and Thuringian Forest, and the Ore and Sudeten Mountains on the perimeter of Bohemia. With a few exceptions these ancient blocks are the more negative areas, with lower population densities, mainly pastoral agriculture and forestry, and little industry or urban development. The intervening valleys, however, channel movement, trade, and development and constitute strategic corridors. The most prominent example is the upper Rhine and Saone-Rhone Valleys from western Germany south to Lyon and continuing to Marseilles. This routeway and others have repeatedly played significant roles in economic, political, and military history.

Finally, the fourth major physiographic region is *Alpine Europe* consisting of young, often glaciated mountains of which the Swiss, French, Italian, and Austrian Alps are but the core of the system. The Pyrenees, the Apennines of the Italian Peninsula, and in East-Central and Southeastern Europe the Carpathians, Transylvanian Alps, Balkan Mountains, Dinaric Alps of Yugoslavia, and Pindus Mountains of Greece are all of Alpine origin. Clearly these mountain chains pose barriers not only to human settlement, movement, and activity, but to climatic influences as well. Modern technology has managed to penetrate these mountain barriers, most noteworthy through the central Swiss Alps via rail and highway tunnels, though other segments, particularly the Pyrenees, have yet to be so effectively pierced. Nevertheless Alpine Europe must not be viewed as essentially negative; as the source of water and hydro-electric developments, the locus of scientific forestry and intensive tourism, many Alpine areas are exceptionally prosperous, if not densely populated. Very significant in agricultural and economic terms, the central Alps and Pyrenees also delimit the northern margin of the Mediterranean climate region in Western Europe.

Physical Geography: Climate Regions. Europe's relative location at the north-western extremity of the Eurasian continent, penetrated by seas, exposes it fully to the influences of the Atlantic Ocean. This maritime situation, combined with latitude and topography, are the dominant elements influencing climates. Northwestern Europe, from western France through the British Isles, the Benelux, western Germany, and southern Scandinavia exhibits a *West Coast Marine* climate. The twin factors of the relatively warm offshore ocean current (Gulf Stream-North Atlantic Drift) and prevailing westerly winds provide this broad area with a climate characterized by moderate average annual temperature ranges and year round precipitation. Thus, in spite of the latitude, conditions for agriculture and living are ameliorated. Across the North European Plain no physical barriers exist to block the moderating maritime influences from penetrating inland, and only gradually does the maritime climate give way to the more continental as one moves toward east-central Europe. A favorable climate thus contributes significantly to the positive qualities of the North European Plain and helps account for its development and prosperity. Only when one reaches East-Central Europe, in Poland or the interior Danube Basin, does distance from the moderating maritime Atlantic influences diminish and average annual temperature ranges increase to the point that a *Humid Continental* climate type occurs.

The second major climate type affecting Western Europe is the *Mediterranean*. Here, located in that latitude which witnesses a seasonal shift in atmospheric pressure belts between summer highs and winter lows, the climate is typified by distinctly dry, hot summers and mild, damp winters. This climate characterizes the Iberian Peninsula, southeastern France, Italy, Yugoslavia, and Greece. When the attributes of the land (sloping and subjected to historic overgrazing and extensive erosion) are added, the limitations to agriculture in Mediterranean Europe are realized. Combining these climatic/environmental factors with the lack of significant mineral resources for basic industry, one gains understanding of the historic paucity of heavy industrial development in Mediterranean Europe in the 19th and early 20th centuries.

Within higher Alpine areas elevation radically modifies climates so that these restricted locations are designated as having an *Undifferentiated Highland* climate. The only other climatically distinctive region is limited to that portion of Nordic Europe in the lee of the Scandinavian Mountains, e.g. central and northern Sweden and Finland. Here a cool summer Continental climate merges northward into a *Sub-Arctic* region with greater seasonal temperature variations and extremely cold winters.

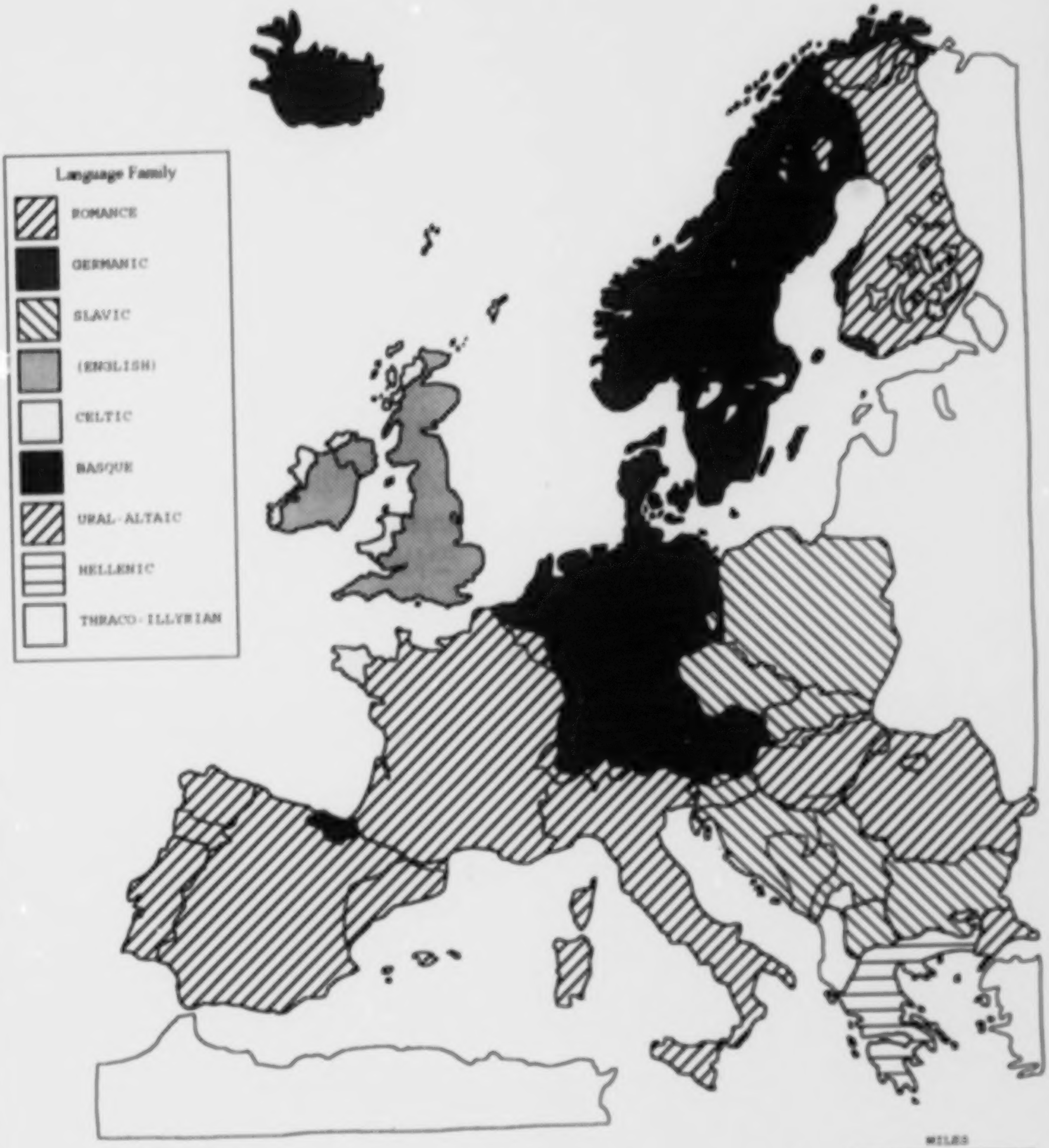
Climate characteristics are clearly major components in comprehending the spatial patterns of demography and economic activity in Western Europe. The prosperity and development of the densely populated industrial and productive agricultural heartland across the plains of northern Europe closely coincides with the West Coast Marine climate zone, whereas the peripheries, especially the Mediterranean south and the far north, are regions with more limited economic possibilities.

THE CULTURAL/POLITICAL MATRIX

Ethnic and cultural differences inevitably lead to difficulties in understanding and communications between peoples and societies. Integration must transcend these barriers, while simultaneously more regionalized efforts are exerted to retain and preserve cultural distinctions, as recognized in minority languages, customs, and traditions. Europe displays a wealth of variety in its historic cultural patterns and practices. Whereas modern technology—especially as it is reflected in communications and transportation, enhanced mobility of populations and employment, and growing economic affluence—combine to increasingly blur regional distinctions, one must grasp the spatial patterns of culture which exist. To a significant extent these patterns, particularly of language, but to a degree religion, display a relationship to the political map of European states and provinces. However several multi-national states with internal cultural division occur and these countries, together with the major zones of cultural transition, deserve focused attention.

The Cultural/Political Matrix: Language. (See Figure 2) The language map clearly portrays a basis for describing European cultural differences. Approximately 90 percent of all Europeans speak a language which belongs to one of three major linguistic families: the Romance, Germanic (Teutonic), and Slavic. Principal linguistic/cultural zones of transition and, thus, potential misunderstanding and conflict occur in the frontiers where

FIGURE 2
Languages


Language Family
ROMANCE
GERMANIC
SLAVIC
(ENGLISH)
CELTIC
BASQUE
URAL-ALTAIC
HELLENIC
THRACO-ILLYRIAN
MILES
0
200
400

these groups merge. The remaining 10 percent of Europeans speak languages from other families, namely the Celtic, Basque, Ural-Altaic, Hellenic, and Thraco-Illyrian groups. These peoples comprise both the most culturally and regionally distinctive of the European minorities.

The Latin based *Romance* languages dominate much of west-central and the western Mediterranean portions of Europe. The primary languages encompassed are Italian, French, Spanish and Portuguese in Western Europe, as well as Romanian in Eastern Europe. Distinctive regional variants occur within countries. Most prominent are Catalan (Catalonian Spanish) in northeastern Spain, which is distinctive from Castilian Spanish, and Galician in northwestern Spain, derived from a mix of Portuguese, Spanish, and Celtic roots. Extending beyond the individual countries represented, the Romance-speaking area is continued into southern Belgium where the Walloons are French speaking, Luxembourg where French is one of the three principal and legal languages, and Switzerland, where the western cantons are predominantly French and the southernmost Ticino Canton, Italian. A minor grouping of Romance languages is the Romansch, whose speakers dwell in southeastern Switzerland (Rhaeto-Romanic) and northeastern Italy (Ladin and Friulian).

The *Germanic* languages incorporate German (with regional variations), Dutch, and all Nordic (Scandinavian) languages, except Finnish and Lapp. Though normally classified as Germanic, English constitutes a "bridge" between the Germanic and Romance, based upon its origins and evolution as an intermixture of Anglo-Saxon and Norman French. The area of Western Europe, in which German or other Germanic languages occur, extends somewhat beyond these bounds. Frisian, the distinctive regional tongue manifested in the Friesland Province of the northern Netherlands, is perhaps most closely related to English of all purely Germanic languages. Flemish, a variant of Dutch, is the language of northern Belgium, and Letzeburgish (Luxembourgish) is a derivative of ancient Mosel German. A German dialect forms the basis of Alsatian culture in the Alsace region of northeastern France, and Swiss German (Schweizer Deutsch) is the mother tongue of some 60 percent of the Swiss population. Additionally Austria is predominantly German-speaking. Until the Second World War very significant areas and geographical nodes of German peoples occurred in Eastern Europe, and German is still prevalent in the South Tirol (Alto Adige) region of Alpine Italy, but the impacts of war and population migrations have markedly reduced the scale and importance of these extensions and enclaves.

The notable Romance-Germanic linguistic frontier may be traced across continental Western Europe from the English Channel at the Belgian-French border, eastward through Belgium passing just south of Brussels, encompassing Luxembourg, Alsace, and thence into Switzerland where it courses eastward approximating the crest of the Swiss Alps. One is struck immediately by the location, especially of the more northerly portion of this transition, coinciding so markedly with that band of territory which has been the focus of repeated military conflict in the 19th and 20th centuries. If English is accepted as a "bridge language," then England can be viewed as a part of this same transition zone. Surely it is across this language-based cultural frontier zone that communications and understanding have been rendered especially difficult throughout history.[1]

Europe's indigenous minority language families are located, for the most part, on the geographical periphery. Increasingly those in Western Europe have become locations of regional demands for autonomy, independence, and/or separate representation within the European Community. The *Celtic* family incorporates Irish and Scots Gaelic, Welsh, and Breton. The latter two languages derive from the Brythonic branch of the Celtic family and, though Wales and Brittany are separated by the English Channel, are mutually intelligible for native speakers. The Gaelic languages of Scotland and Ireland have suffered the most attrition as measured by numbers of speakers and contraction in area, whereas Welsh is arguably the most viable as measured both by numbers of native speakers and proportional area of the country affected. Nevertheless the Celtic languages, both of the British Isles and France, are endangered. As a consequence, strong regional nationalist movements have evolved in Ireland, Scotland, Wales, and Brittany. These nationalists, as well as other residents less motivated toward separatism, cannot be viewed as antagonistic to European unification. Rather they strive to gain for their respective "countries" their own representation and voice in European affairs. Only the independent Irish Republic among the Celtic lands now enjoys such a position. The most strident and consistent efforts toward regional separatism in recent years have occurred in the *Basque* country straddling the French-Spanish border. The majority of Basques, whose language roots are unknown and unrelated to any other European language family, dwell within Spain, with a much smaller number in the adjacent southwestern French Pyrenees. Today the Spanish Basque region enjoys autonomous status within the political territorial organization of the Spanish state.

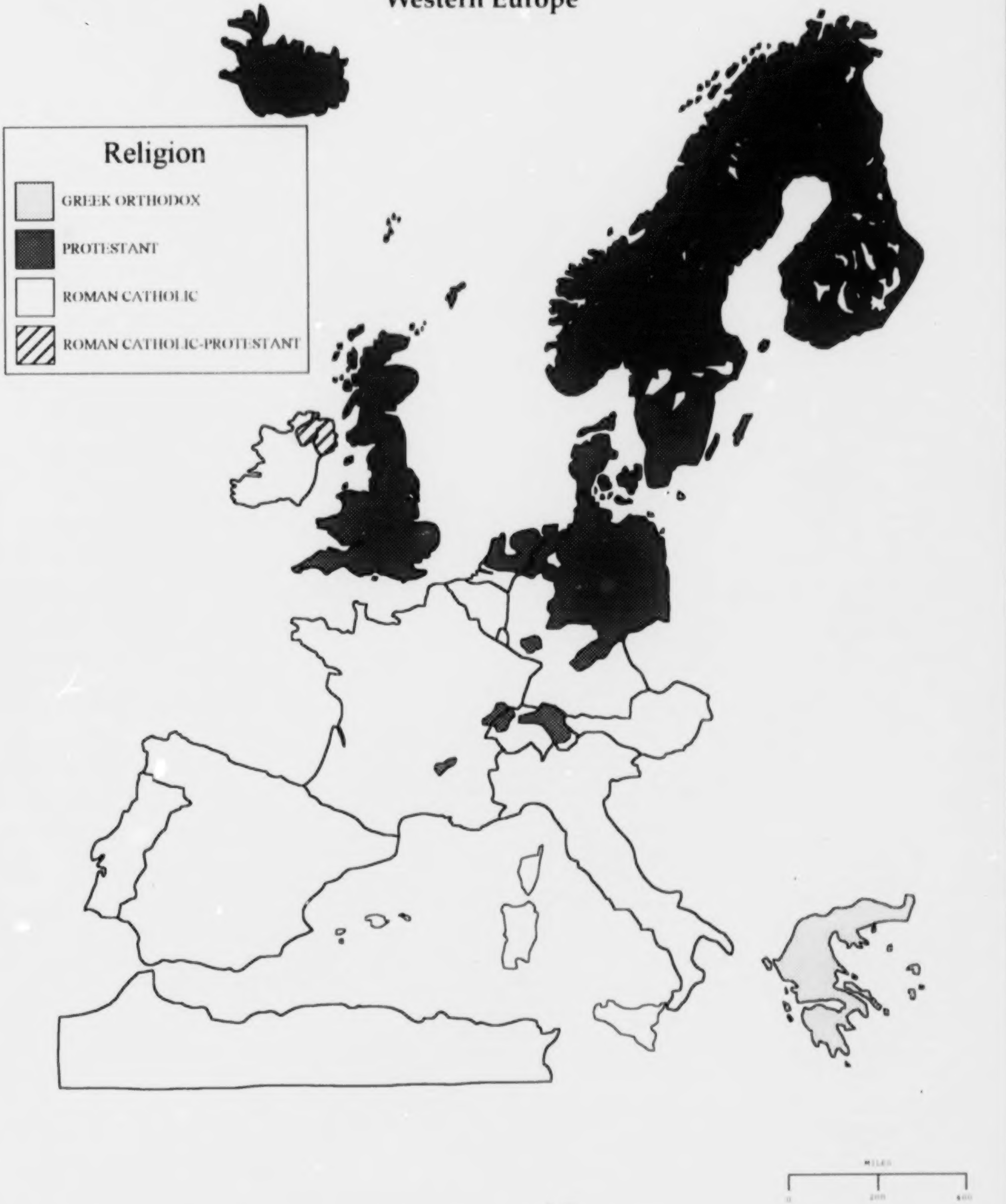
The remaining minority linguistic groups are located in eastern and northern Europe. Finnish (together with Lapp and Estonian) and Magyar (Hungarian) are *Ural-Altaic* languages as is, though more distantly related, Turkish. Standing alone are Greek (*Hellenic*) and Albanian, the sole *Thraco-Illyrian* language in Europe.

One can now recognize the basic linguistic pattern, with a significant cultural zone of division between the Romance and Germanic regions of Western Europe coursing through the heart of the European Union, and more isolated peripheral minorities posing largely local problems within the context of larger states. Many of the Union member countries, however, must contend with regional problems related to language. The most serious is the cleavage of Belgium which has created domestic political instability and repeated internal crises. As a result Belgium is gravitating toward a more federal political structure. Spain must continue to work with the problems posed by the Basques and with pressures for Catalan cultural recognition. Of less critical or immediate concern, but still divisive, are the demands emanating from the Celtic lands of the United Kingdom and France. Occasional recurrent resentments appear in the Germanic South Tirolean area of Italy, which does have regional political autonomous status. The multi-lingual character of Luxembourg, on the other hand, with her small size and central location, is recognized, promoted, and most successfully exploited as a valuable asset, especially in the worlds of international business, finance, and tourism.

The Cultural/Political Matrix: Religion. (See Figure 3) Though today not the significant barrier to cooperation and understanding that was historically the case within Europe, religious traditions have left imprints on societies and continue to contribute to the sense of nationhood. As with language, mobility of peoples and enhanced international interactions have masked regional distinctions. A comprehension of the general pattern of religions remains of value in understanding elements of regional attitudes and differences.

Western Europe includes a majority of states whose populations are dominantly of a single religious tradition and others where division exists in significant proportions. When mapped the areal extent of continental Western Europe dominated by *Roman Catholicism* coincides remarkably with that of the ancient Roman Empire and can be seen as reaching northward to approximately the line of the Rhine and upper Danube Rivers. Catholicism prevails in Italy, Spain, Portugal, France, Belgium, Luxembourg, Austria, and the Republic of Ireland. Excluding consideration of Eastern Europe, the area in which Catholicism is dominant extends beyond these states into the southern provinces of the Netherlands, the middle Rhine Valley and southern Germany and the primarily Romance-speaking regions of western and Alpine Switzerland.

FIGURE 3
Major Religions
Western Europe


Religion
GREEK ORTHODOX
PROTESTANT
ROMAN CATHOLIC
ROMAN CATHOLIC-PROTESTANT
MILES
0
200
400

The legacy of the *Protestant* Reformation may be seen in much of northern Europe including the predominance of Lutheran tradition in all the Nordic states as well as northern Germany (including all of former East Germany), and Calvinism in the northern Netherlands. Approximately half of the Swiss, mainly the Swiss Germans, have a Protestant/Calvinistic heritage. Since the reign of Henry VIII the Anglican (Episcopal) Church has remained the state religion of England. Although Anglicanism is prevalent throughout Scotland and Wales, the great majority of Scots and Welsh somewhat later adhered to other Protestant denominations (principally Presbyterian, Congregational, Wesleyan Methodist) in movements inspired partly by their perception of the Anglican Church as a manifestation of English domination. However, in part through Irish immigration, Roman Catholicism is present today throughout the United Kingdom, primarily in the large urban centers. Only in Northern Ireland, a constituent part of the United Kingdom, does the Catholic-Protestant ratio approach 50/50.

Roman Catholicism has played a culturally centripetal role particularly in France, Iberia, and Italy, as has the Greek Orthodox faith in Greece. The Lutheran tradition has been a unifying influence throughout Scandinavia. Importantly, only three sovereign West European countries, the Netherlands, Germany and Switzerland, exhibit demographic regionalism based upon patterns of religion. Though not significantly divisive today, religion traditionally has been a basis for support for some political parties in these countries. Only in Northern Ireland does discrimination based upon religion constitute a current and seriously divisive influence.

The Cultural/Political Matrix: The European Nation-State and Regional Minorities. (See Figure 4) Western Europe is commonly cited as the birthplace of the modern nation-state, but one must be cautious in the use of terms. Strictly adhering to the concepts of nation and state, Europe exhibits a range from the culturally homogeneous "nation-state" to the more complex "multinational state." Nation refers to a group of people with common cultural and other characteristics who either inhabit a state or associate themselves with a given territory. The state is a political region with territory, recognized boundaries, a resident population, political organization (government), and sovereignty. The true nation-state is a state inhabited by one nation exhibiting no major historic or permanent minorities, whereas the multinational state is a state with two or more regionally identifiable indigenous culture groups. The most apparent attributes defining a nation are common language, religion, customs, traditions, and habits combined with emotional or other ties to a distinct region or territory.

Among the European Union countries Austria, Portugal, Greece, Ireland, Denmark, Sweden, Finland and somewhat less so, the Netherlands, could be argued as most closely resembling the strict definition of a homogeneous nation-state. Finland does contain a Swedish minority in the Aland Islands and southwest Finland, and the Lapps occupy areas crossing the northern borders of Sweden and Finland. Considering its sizable population Germany is as well, accepting that the non-ethnic German residents of the Federal Republic are principally foreign guest workers, neither historic indigenous minorities nor located within distinct regions. Similarly, but at the opposite end of the areal scale, Luxembourg's "minority residents" are either guest workers or other foreign nationals employed in the Grand Duchy. France and Italy, among the larger member- states, are relatively homogeneous "nation-states", albeit with distinctive peripheral minorities included within their boundaries. In France these are the Bretons and Basques, but also Corsicans and even German-speaking Alsatians. During the post World War II era large numbers of North Africans have come to France, whose presence is related to domestic social friction and discrimination. However this in-migration of labor does not constitute an indigenous minority, it is located primarily in the larger urban areas, and, therefore, does not place France in the category of a true multinational state. Italy has granted limited regional autonomy to the Trentino Alto-Adige (South Tirol), the small French-speaking Val d'Aosta, as well as to Sicily, Sardinia, and the culturally transitional Friuli-Venezia Giulia region adjacent to Slovenia and Austria in the northeast. Still, in both France and Italy, the historic traditional linguistic minorities constitute small proportions of the total populations and are peripheral in location to the main body of the respective states.

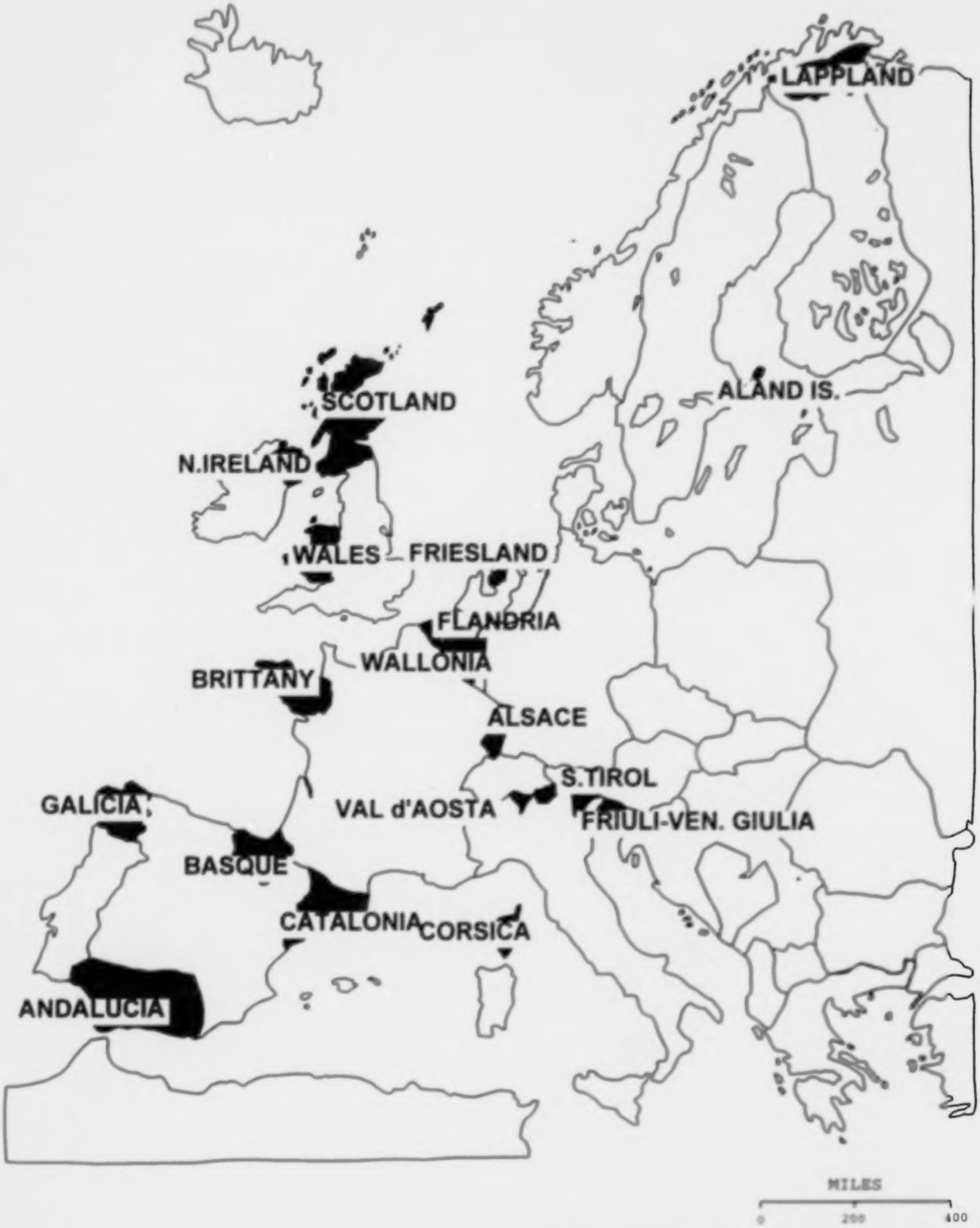
The United Kingdom, Spain, and most dramatically Belgium, cannot be defined as nation-states, but rather are more clear examples of the multi-national state concept. In Britain, the Scots, Welsh, and, more complex, the Northern Irish, are distinctive minorities with cultures pre-dating the English and long associations with their own defined territories. Spain contends with not only the Basques, but strong regional and cultural identities expressed by the Catalans, Galicians, and, less so, the Andalucians. In recognition of these regional differences, post-Franco Spain has moved toward a semblance of federation with limited autonomy to its various provinces. Belgium, sharply divided by the language line between the northern Flemish (Flanders) and southern French (Wallonia), also includes a small German speaking region on its eastern frontier. Whereas the United Kingdom and Spain face periodic pressures for separatism on cultural/regional bases, as have France and Italy with less vigor, Belgium is literally split in half on the language issue with Brussels the official bilingual capital region.

Among the non-member states of the Union in Western Europe, the majority conform closely to the concept of the true nation-state. This applies to Norway and Iceland, but Switzerland is fully multi-national within its confederation recognizing four official languages.

In this matrix of sovereign states, relatively minor political boundary changes have occurred in Western Europe in this century, excepting those of Germany and the attainment in 1921 of Irish Republic independence. Thus, in spite of regional demands for autonomy in certain states, stability in geopolitical form has characterized the most recent period of history of most Union countries. The conclusion of World War I did witness minor adjustments to the German-Danish and German-Belgian boundaries, the return of Alsace-Lorraine to France and the annexation of the South Tirol and Trieste/Istria to Italy. In Central Europe the collapse of the Austro-Hungarian Empire resulted in the creation of landlocked Austria, Hungary, and Czechoslovakia. Poland and Yugoslavia appeared on the map as sovereign states and Romania was enlarged with the annexation of the region of Transylvania. Finland had gained its independence from Russian control in 1917. Even fewer territorial changes followed the Second World War, with Italy eventually deprived of the Istrian peninsula. Nevertheless it must be recognized that, excluding Germany and Austria, the current member states have existed in essential political-geographic continuity so that their respective positions as nation-states or multi-national states has not altered significantly. The reunification of Germany in 1990 did not incorporate into the Federal Republic significant ethnic minorities, although eastern Germany does include a small (approximately 68,000) regionally identifiable rural population of Slavic (Lusatian/Sorb) heritage in the area of the Saxon town of Bautzen.

It is true that the numbers of ethnic minority residents in many of the member states increased over the last forty years, largely the result of the arrival of foreign guest workers seeking economic opportunity. This has created situations more closely related to the definition of plural societies, but in these circumstances geographically restricted mainly to the larger urban centers. It has reduced proportionally the "homogeneity" of the individual receiving state, lessening its narrowly defined "nation-state" status, but the presence in a country of sizable numbers of foreign workers does not create a "multi-national" state.

FIGURE 4
Principal Ethnic Minority Regions
Western Europe


LAPPLAND
ALAND IS.
SCOTLAND
N.IRELAND
WALES
FRIESLAND
FLANDRIA
WALLONIA
BRITTANY
ALSACE
S.TIROL
GALICIA
VAL d'AOSTA
FRIULI-VEN. GIULIA
BASQUE
CATALONIA
CORSICA
ANDALUCIA
MILES
0
200
400

REGIONAL ECONOMIC VARIATIONS

Agriculture. The ability of any region to sustain a significant population is influenced by the productivity of its agricultural base. Forms of agricultural practice and levels of agricultural productivity, in turn, are dependent upon soils, water, climate, and man's level of technology. In European history an "agricultural revolution" was a necessary predecessor to the industrial revolution so that a "surplus" urban-industrial population could be supported. Not only were the locations of the natural resources, especially timber, reliable water supply, and coal, primary factors in early concentrations of European industry, but also the accessibility to fertile agricultural soils. The most productive and intensive arable agriculture evolved and remains today in those regions of relatively level land, highest soil fertility, and reliable water supplies. One must realize, simultaneously, that in regions devoid of the fundamental bases for industry, agriculture remains a major economic endeavor for a sizable proportion of the resident population. In most areas of Europe some form of agricultural pursuit is followed; only in the northern extremities of the continent or at high elevations is it severely diminished. Within the market orbits of most large urban areas agricultural land use tends to be at its most intense. In such locations market gardening, producing fresh vegetables and fruits, and dairying are common.

In three of the four major physiographic regions of Europe, namely Caledonian, Hercynian, and Alpine, the natural environment restricts both the range and intensity of agricultural practice. Therefore the plains areas are those that accommodate the most varied and higher levels of production. From western and northern France across Belgium, southern England, the Netherlands, and central Germany, that area coincident with much of the Great North European Plain physiographic region, occurs the most continuous zone of high agricultural fertility in Western Europe. Only the plain of the Po River in northern Italy exhibits comparable productivity and significant areas here are dependent upon irrigation. Grain production, livestock and dairying, fruit and vegetable production prevail throughout much of these plains regions. In contrast arable agriculture diminishes with increasing latitude, cooler and damper climates, and less fertile land. In highland Britain, northern Germany, and much of the settled areas of the Nordic realm cultivation gives way to the dominance of grazing and forestry. Here populations must rely upon imports of wheat, maize, and other crops which require warm, dry periods for ripening.

Throughout most of the Mediterranean climate zone a very different set of influences prevail. Except on the limited areas of coastal and river plains or where extensive irrigation is present, agriculture is restricted to the production of those crops which can sustain periods of summer heat and drought. Thus much of rural southern Europe is dominated by the olive, citrus fruits, vineyards, and dry crop farming. Here the prevalence of sloping land, a history of over-grazing, especially by sheep and goats, combined with the climate regime result in extensive soil erosion. Yet the people have adopted agricultural practices, still very labor intensive, which have allowed them to continue on the land in very considerable densities. Southern Italy including Sicily, portions of Spain, northern Portugal, and central Greece exemplify these characteristics.

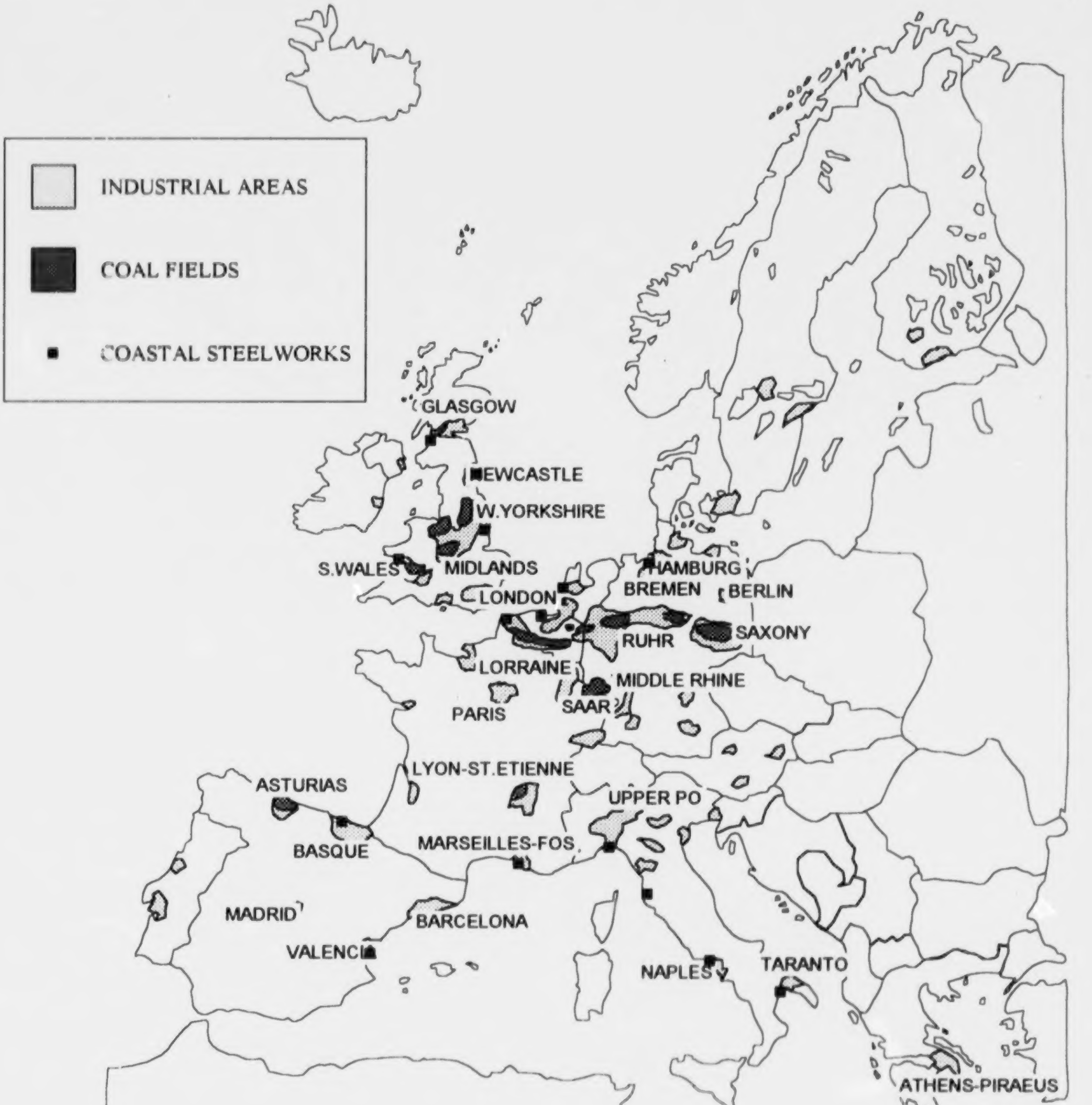
Industrial Activity. (See Figure 5) The major pattern of industry reflects still today the influences on location that have been inherited from the Industrial Revolution of the late 18th and 19th centuries. The conversion from primarily agricultural to industrial economies was first experienced in Britain and Belgium, somewhat later in Germany, and northern France. The initial stage of the Industrial Revolution was based principally upon textiles and shipbuilding, endeavors closely linked to the major maritime and colonial trading states of northwestern Europe. Leeds and Manchester in England witnessed the mass production of wool and cotton textiles, respectively. Towns in Belgian Flanders, as well as Lille, France, and Wuppertal, Germany followed as centers of mass production of cloth. Only in northern Italy were comparable pursuits on a large scale contemporary. The several early shipbuilding port cities which attained supremacy included Glasgow, Liverpool-Birkenhead, Belfast, and Newcastle upon Tyne in Britain and Antwerp, Rotterdam, Amsterdam, and Hamburg on the continent. This first stage stimulated a drift of labor from the rural areas to the cities, a trend which would magnify with time.

The second and more familiar stage of the Industrial Revolution was that based upon coal, so that those European regions which possessed accessible coal gained the advantage. In most cases at least modest deposits of iron ore were located proximate to the coal resources. Once again, Britain, Belgium, and Germany gained the advantage. Not only did they possess Western Europe's major coal deposits, but they had begun the urban-industrial experience, were cognizant of the need for improved transportation, and had accumulated investment capital. Admittedly intensive German heavy industrialization lagged behind that of Britain and Belgium in the early decades, but, after German political unification in 1870-71, the Rhine-Ruhr region rapidly evolved as the single largest concentration of heavy industry in Europe. France, on the other hand, was slow to adapt to these changes. Her only significant resources of coal were secondary, the primary producing region being a westward extension of the southern Belgian coal field located near Lille on the Belgian border. Though in possession of the largest iron ore reserves of Europe, in Lorraine, two factors minimized its value for France. First, the ore is high in phosphorus, an impurity that renders the iron or steel brittle and of less value or use for many products. Until the development in Britain of the Gilchrist-Thomas open hearth process in steel making, such impure "minette" ores were less than desirable. Only in the 1880s were the patents for this process acquired on the continent, initially by Luxembourg. Second, as the result of the Franco-Prussian War (1870-71), the French Lorraine iron region was politically incorporated into Germany, so that the French were deprived of control until after World War I.

Certainly at the beginning of the 20th century the dominant states in basic industrial development and wealth were the United Kingdom and Germany, with Belgium and Luxembourg, though small states, also in this vanguard. Only the north and northeastern regions of France exhibited similar activity. These states gained the historic momentum or impetus in industrialization and would continue this relative dominance well into the 20th century. An urbanized heavy industrial core for Europe, extending from northern England and South Wales through southern Belgium and adjacent France to the Rhinelands of Germany was firmly established.

Little comparable heavy industry emerged elsewhere in Europe. The Nordic realm, as has been noted, lacks the fossil fuel energy resources, but also the capital and large populations needed for basic industry on a major scale. Northern Sweden does possess a high quality reserve of iron ore, used as the basis for the limited scale domestic steel industry and for export to other European countries. Few sources for coal or iron ore exist in Mediterranean Europe. Only Spain possesses both, in modest quantities, along her north coast. The Spanish had failed to develop an economy which could provide the capital or incentives for significant early industry. A geographic dichotomy had been established that would impact on the character and policies of European integration in the second half of the century. The northwestern European industrial heartland had emerged as the "economic engine," whereas the northern, western, and southern margins of Europe remained more agricultural. Although the original coal field industrial regions would suffer stagnation and decline, requiring special concern and attention, the impetus for an industrial and urban focus would remain. Industrialization of the outlying regions, almost in direct relationship to distance

FIGURE 5
Coal Fields and Industrial Regions European Union


INDUSTRIAL AREAS
COAL FIELDS
COASTAL STEELWORKS
GLASGOW
NEWCASTLE
W.YORKSHIRE
S.WALES
MIDLANDS
LONDON
HAMBURG
BREMEN
BERLIN
SAXONY
RUHR
LORRAINE
MIDDLE RHINE
SAAR
PARIS
LYON-ST.ETIENNE
ASTURIAS
UPPER PO
BASQUE
MARSEILLES-FOS
MADRID
BARCELONA
VALENCIA
NAPLES
TARANTO
ATHENS-PIRAEUS
MILES
0
200
400

from this heartland, would require considerable aid and attention from both national governments and, later, the Union.

With the advent of petroleum and electricity as energy sources and the growth of more diverse manufacturing, including engineering and vehicles, as well as the chemical industry, the location of industrial activity broadened geographically. Nevertheless manufacturing industry in Western Europe remained concentrated in the German Rhinelands, the Rhine delta, Belgium, northeastern France including the Paris-lower Seine Valley, and central England. The principal concentration of such activity physically separate from this area is the Upper Po Valley (Milan-Turin) of northern Italy. Not only does northwestern Europe possess the resources and best transportation infrastructure, but here evolved the most skilled labor force and the greater concentrations of wealth, investment capital, and markets for manufactured products.

More contemporary geographic change has evolved in light of the declining importance of the traditional resources, especially coal and iron ore, and the rise of "foot-loose" and high technology industry. A locational trend that has been significant since World War II is the expansion of industrial centers at coastal sites. As the dependence upon imports of raw materials grew, including cheaper and higher quality coal and iron ore as well as petroleum, steel mills, ancillary metal processing industry, oil refining, and petrochemical operations were constructed in sea port locations. Among the principal coastal steelworks are those at Ijmuiden, The Netherlands; Zelzate (Gent), Belgium; Dunkerque and Fos (Marseilles), France; Scunthorpe, England; Port Talbot, Wales; Bremen, Germany; Bagnoli (Naples) and Taranto, Italy. By the early 1980s the combined steel production of all EC coastal works had exceeded that of the older plants located on or near the coal fields. Many of these coastal developments were recipients of investment loans and other benefits from the European Coal and Steel Community and, subsequently, the Common Market. Heavy investment by the Spanish government combined with American and German monies stimulated the expansion of coastal works in that country prior to Spain's accession to the European Community in 1986. Smaller coastal integrated mills have also been constructed near Lisbon, Portugal and Athens, Greece, contributing to the trend. With the decline in the market for steel since the mid-1970s, retrenchment and rationalization of the industry has had a spatial impact. In part this reflected over-investment in the 1960s and, therefore, excess capacity. However the older outdated facilities, principally in interior locations, rather than the newer coastal plants, have borne the greater proportion of the brunt of closures and capacity reduction.

Similarly the chemical industry has gravitated to coastal sites as well as further developing those locations along major rivers. Transportation considerations together with market proximity have been the primary influences on location for more recent installations. The area proximate to the North Sea/English Channel retains a prominent position in chemicals, especially the middle Rhine Valley, and central and eastern Belgium. Petrochemical production has been especially drawn to coastal locations where imported oil is refined. Teeside and the Humber estuary of eastern England, Southampton, Rotterdam, Antwerp, Hamburg, Marseilles, Genoa, and Naples are major petrochemical sites. Still, inland market-related locations are crucial. In addition to the West German Rhineland concentration, such markets include London, Paris, Brussels, Lyon, Milan, and Turin, all of which possess very significant local chemical industries in response to their sizable markets.

Other industry is not so confined in location to either the resource base or coastal break-of-bulk points. Light manufacturing, including the range of most consumer goods industries, is "foot-loose," that is, they enjoy a much greater flexibility of location. Fundamental to this flexibility are the improvements in transportation, rail but particularly express highways, almost universal access to electricity and to plentiful skilled labor. Market factors and labor costs, therefore, become predominant as locational determinants. Such growth sectors include electronics and electrical engineering, vehicles and components, synthetics, and other science-based industry. In Western Europe much such industry has located in industrial parks in or near major urban/metropolitan areas. Other situations reveal the influence of national government incentives to attract new industry and thus employment to needed regions. With common frequency these sites are selected to disperse economic activity within a country to where additional employment is needed and to diversify the economic bases of declining heavy industrial areas or traditional agricultural regions.

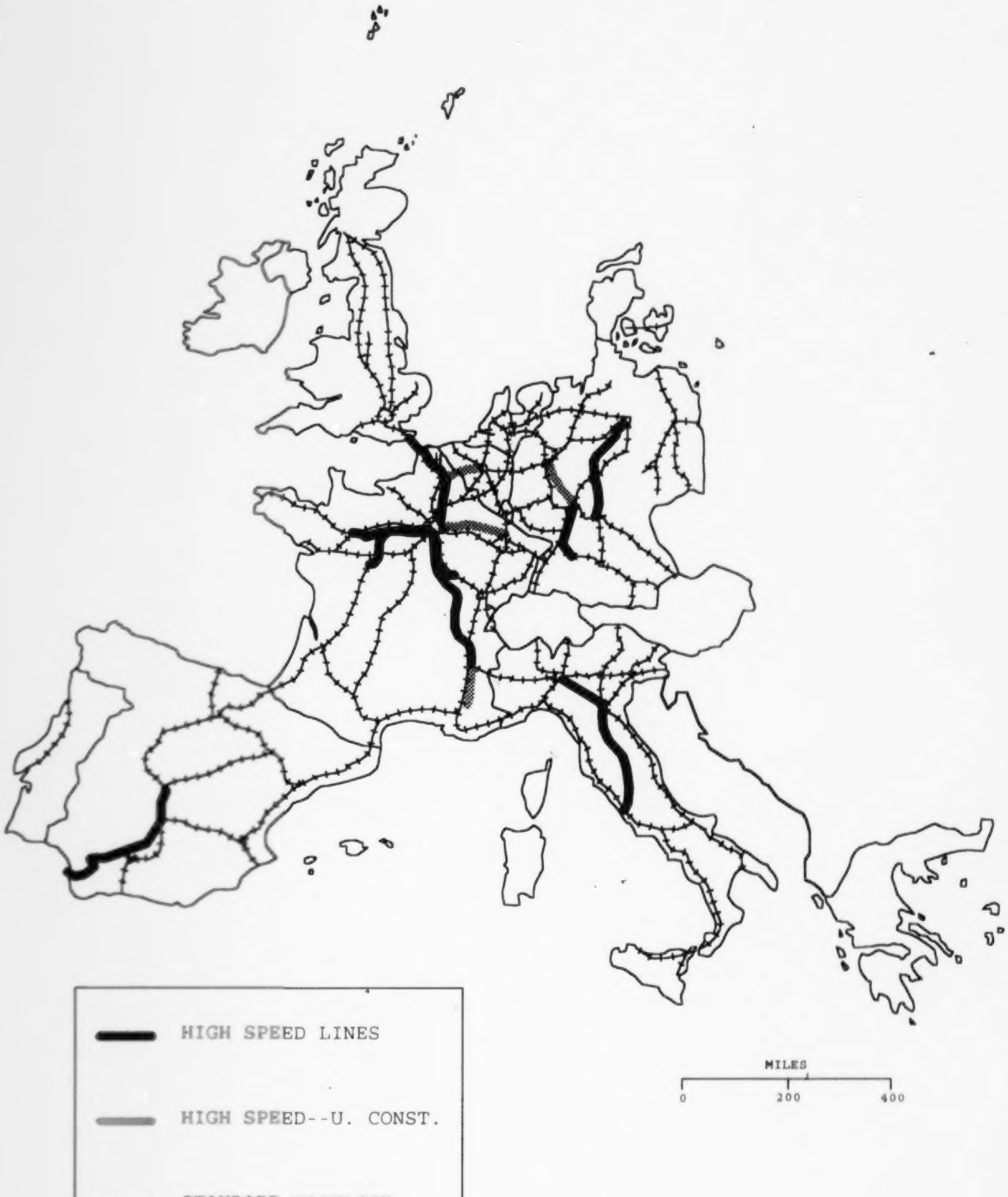
As the modern industrial economy of Western Europe evolves, greater geographical dispersion is a certain component. This dispersion is gradually reducing some of the regional economic disparity. Increasingly the locational siting of industry is motivated to address just this goal, whether strictly as a single state's national policy or within the broader aims of European Union cooperation in regional development. However, these aims face the reality of a considerable "historic impetus"; that is, those locations where much industrial activity originated continue to be the more favorable. The largest and most affluent markets, the most efficient transportation systems, the greater sources of investment capital, the most educated and skilled populations are disproportionately still to be found on or proximate to the heart of the North European plains—the Benelux region, northern France, the German Rhinelands, and southeastern England, plus the Upper Po (Milan-Turin) region of Italy.

Surface Transportation Networks. The patterns of major land transportation networks continue to reflect both the influence of physiography and the legacy of systems developed largely for individual national purposes. Directed efforts toward trans-national integration of rail and road links to overcome fragmentation has occurred principally since World War II. Historic routeways, following the more easily negotiated paths as related to physical constraints, dominate. The most prominent of these are the east-west corridor across the North European Plain (Paris-Benelux-Middle Rhine-Berlin) and the north to south Seine-Paris-lower Rhone and Rhine-Rhone corridors from France and western Germany to the Mediterranean. Rail and road as well as water routes were opened to interconnect regions of major resource development and associated industry with urban centers and sea ports. Within states, networks evolved with capital cities often as principal hubs, and major ports and industrial centers as other nodes. Limited access express highways and international rail services are transcending the prior nationally focused systems and reflect the progress toward transportation integration that is a major Union goal. The movement of liquid fuels by pipeline from ports to interior European markets across state boundaries as well as the increased importance of air traffic contribute to this cooperative and mutually beneficial endeavor.

Road and rail network densities clearly show the disparity in the relative scale of development between broad regions. Northwestern Europe, particularly Belgium, the Netherlands, western Germany, northeast France, and the London Basin possess the highest transportation densities in both modes. Only the densely populated and highly urbanized Po Valley of northern Italy has developed road and rail nets to compare with northwestern Europe in its mesh. Most heavily utilized inland water transportation facilities, both navigable rivers and canals, are concentrated within an even more restricted portion of the northwest European Plain, principally in the Netherlands, central Belgium, and the Rhine region of Germany. By contrast, highland Britain, western and southern France, Iberia, southern Italy, Greece, and Scandinavia are less well served by rail and road and have few significant navigable inland waterways.

Surface Networks: Railways. (See Figure 6) Though the basic railway networks reflect the late 19th century national transportation needs of the respective states, principal systems except that in Iberia were constructed to the standard 4' 8 1/2"

FIGURE 6
Electrified Mainline Railways
European Community 1995


HIGH SPEED LINES
HIGH SPEED--U. CONST.
STANDARD MAINLINE
MILES
0
200
400

Source: Thomas Cook, Rail Map of Europe

gauge. Therefore track gauge is not a barrier to international rail movement. With mainline electrification in the present century, often with incompatible voltages, through traffic between countries was hindered. It is precisely this type of incompatibility that is being addressed and overcome through international cooperation in our era.

Nearly all European railways are state-owned and operated, with national subsidies, and are viewed as necessary public services similar to highways and telecommunications. Following the physical destruction of World War II there was massive rebuilding and modernization of the trunk rail systems with electrification of main lines common in most states. These improvements have facilitated international connections and services, both passenger and freight. It is common to see a single international long distance passenger train on the continent composed of cars from two or three different countries.

The rail systems of Belgium, the Netherlands, West Germany and France, even with network rationalization, are the most complete and dense. British Rail has experienced relatively greater contraction since 1963, enhancing the primary radial services focused on London, and reduced or eliminated services to the more rural communities and peripheral regions of Britain. The systems of the Mediterranean countries are less dense, though individual main lines, especially in Italy, are operated at high standards. Spain, Portugal, Greece, and Ireland exhibit more skeletal rail networks. Though their importance as freight carriers has declined relative to alternate transportation modes, particularly highway and pipeline, the rail systems continue to play very significant roles in both cargo and passenger movements. The intermediate to longer distance services, for example the "Intercity" passenger trains, have gained traffic.

With the increasing concerns for the environment and with road traffic nearing or at saturation levels in congested areas, rail transportation is witnessing a moderate revival. This is exemplified by the initial high speed links in France, Italy, Spain, and West Germany, now in service, as well as up-graded lines in these countries, the United Kingdom, and elsewhere. The Channel Tunnel should contribute substantially to increasing the direct flow of people and goods by rail between the continent and Britain by the late 1990s.

Surface Networks: Highways. (See Figure 7) As with the West European railway network, highways, as measured by limited access motorway development, are most closely integrated on the North European Plain in that area from the Paris Basin across the Low Countries and throughout western Germany. Highest densities are reached in the Netherlands and Belgium contrasting with the few limited access roads available in Spain, Portugal, western France, the highland portions of the British Isles or Scandinavia. Similar to the railway pattern, northern Italy also benefits from a well developed super highway grid focusing upon Milan, Turin, Genoa, and Bologna. With considerable Common Market financial assistance since the 1960s supplementing national investments, southern Italy has benefited with the construction of the Autostrade del Sol (Rome-Naples-Reggio di Calabria) and connectors.

Whereas the best balance between rail, road, and water transportation for internal freight is attained in Belgium and Germany, the United Kingdom and Italy are most dependent upon road haulage (78% and 75% respectively). Unique to the Netherlands is the high percentage of bulk cargo transported via inland waterways (51%), with only 35% by road and but 6% by rail. The interconnected motorways of the Union have captured an increasing percentage of international freight movements, now raising serious concerns about energy use and environmental impacts.

Patterns of Urbanization. (See Figure 8) Relative degrees of urbanization are correlated with the influences of industrial and transportation developments through time and, therefore, reflect regional advantage or disadvantage. The major concentration of urban centers is attained in that area of western Europe coincident with highest overall population densities, most intensive transportation networks, and greatest economic productivity, namely the northwestern plains and tributary river basins adjacent to the North Sea and English Channel. The four most populous city-regions or "conurbations" are London (12,750,000), Rhine/Ruhr-Cologne (12,000,000), Paris (9,900,000), and 'Randstad - Holland' (5,200,000). The last area includes the region bounded by Rotterdam, The Hague, Amsterdam, and Utrecht in the western Netherlands.

At least eight additional significant urban agglomerations exist in relatively close proximity to these: the West Midlands (Birmingham), Manchester-Liverpool, and West Yorkshire areas of England, the Antwerp-Brussels-Gent triangle in north-central Belgium, and the Rhine-Main (Frankfurt), Rhine-Neckar (Mannheim-Ludwigshaven), Stuttgart, and Hamburg conurbations of Germany. These metropolitan regions all lie within a 300 mile radius of the mouth of the Rhine River. Beyond this radius the most urbanized multi-city region of note is that centered in the upper Po Valley of Italy, dominated by Milan and Turin.

Elsewhere in Western Europe urban development tends to occur in more isolated pockets, most frequently centered upon capital cities and/or sea or river ports. The primary list includes Madrid, Barcelona, Lisbon, Rome, Naples, Athens, Glasgow, Copenhagen, Lyons, Marseilles, Berlin, Munich, Vienna, and Stockholm. This compilation coincides with the most populous city regions and includes all west European cities or conurbations in excess of one million population.

When mapped the pattern displays a clear axis of urban development extending from north-central England southeasterly to London, across the Channel to encompass Belgium, The Netherlands, northeastern France, the German Rhine Valley, and the upper Po plain of Italy. Beyond this axis major cities exist in relative isolation surrounded by much less densely populated and more agricultural territory. Rural to urban population movement continues, proportionately greater in those regions outside the axis of city concentration. Since fewer large cities exist here and these are more widely spaced, the steady influx of new residents poses the more severe pressures for housing, transportation infrastructure, and other public services. Such impacts are most apparent in the typical city of Mediterranean Europe.

WESTERN EUROPEAN REGIONAL DICHOTOMIES

***Core* Versus *Periphery*.** (See Figure 9) As the European Union has evolved, commencing with the predecessor European Coal and Steel Community (ECSC-"Schuman Plan" of 1952) to the original European Economic Community of 1958, and continuing through expansion to the present fifteen EU member states one region has remained the dominant and prosperous "core area." This economic heart of the Union is characterized by the most dense population, greatest concentrations of industrial and urban development, and most complete transportation and communications networks. It also possesses some of the most fertile agricultural land and contains or is proximate to the major producing areas of basic resources for heavy industry, particularly the fossil fuels. Here data reveal the highest per capita incomes and GNPs, industrial productivity, and the lowest proportions of the labor force in agriculture. Generally the populations of the region display the higher levels of educational attainment, proportion of skilled labor, and percentages of the labor force in the tertiary (service) economic sector. From the periods of world colonial exploration and the agricultural and industrial revolutions, this core area has provided much of the economic leadership as Europe progressed into modernity. With economic power and prestige came political strength and influence.

The Western European "core area" may be delineated in different ways by different individuals for differing purposes, as it is not precisely defined and overlaps international political

FIGURE 7
Principal Motorways
European Union

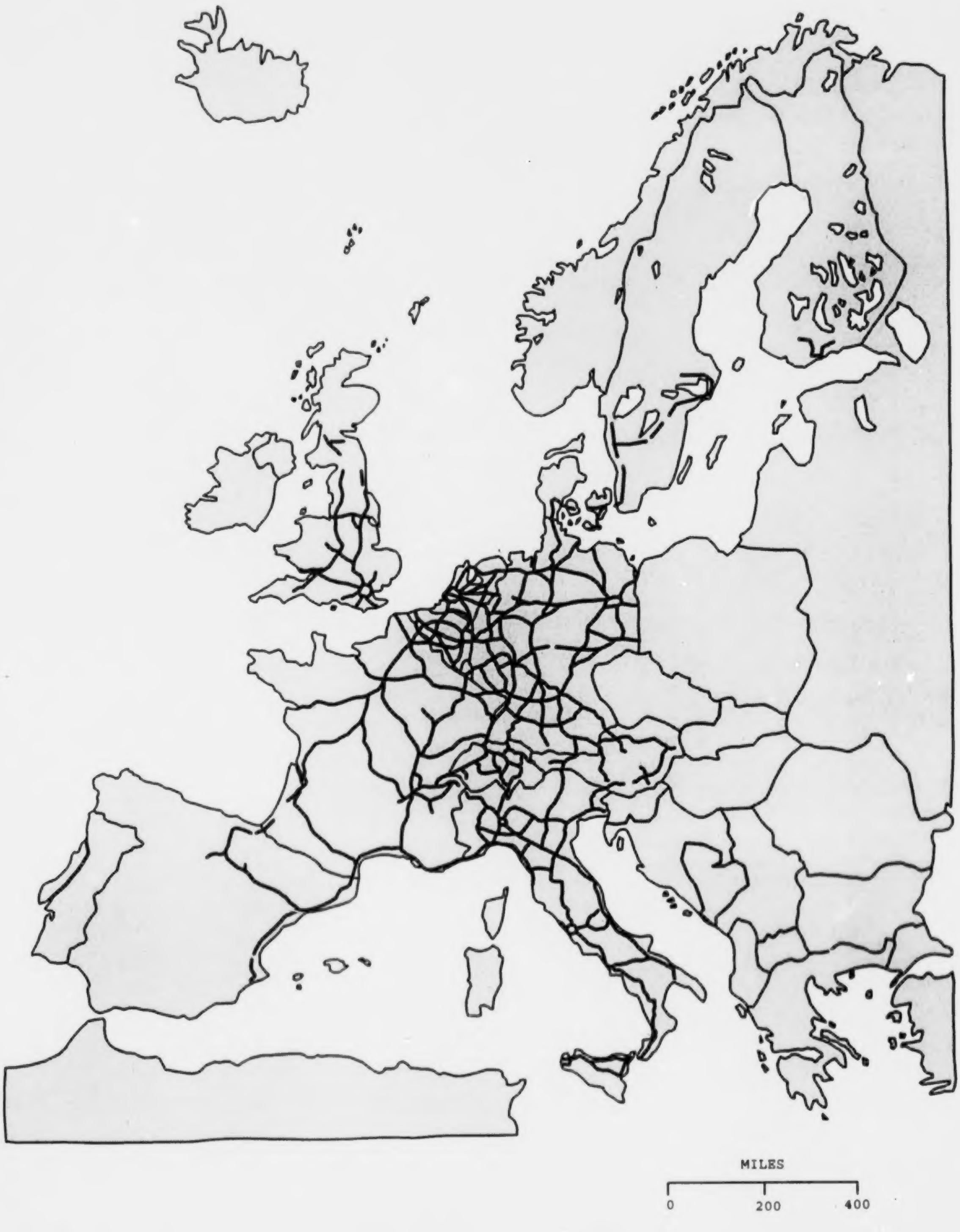
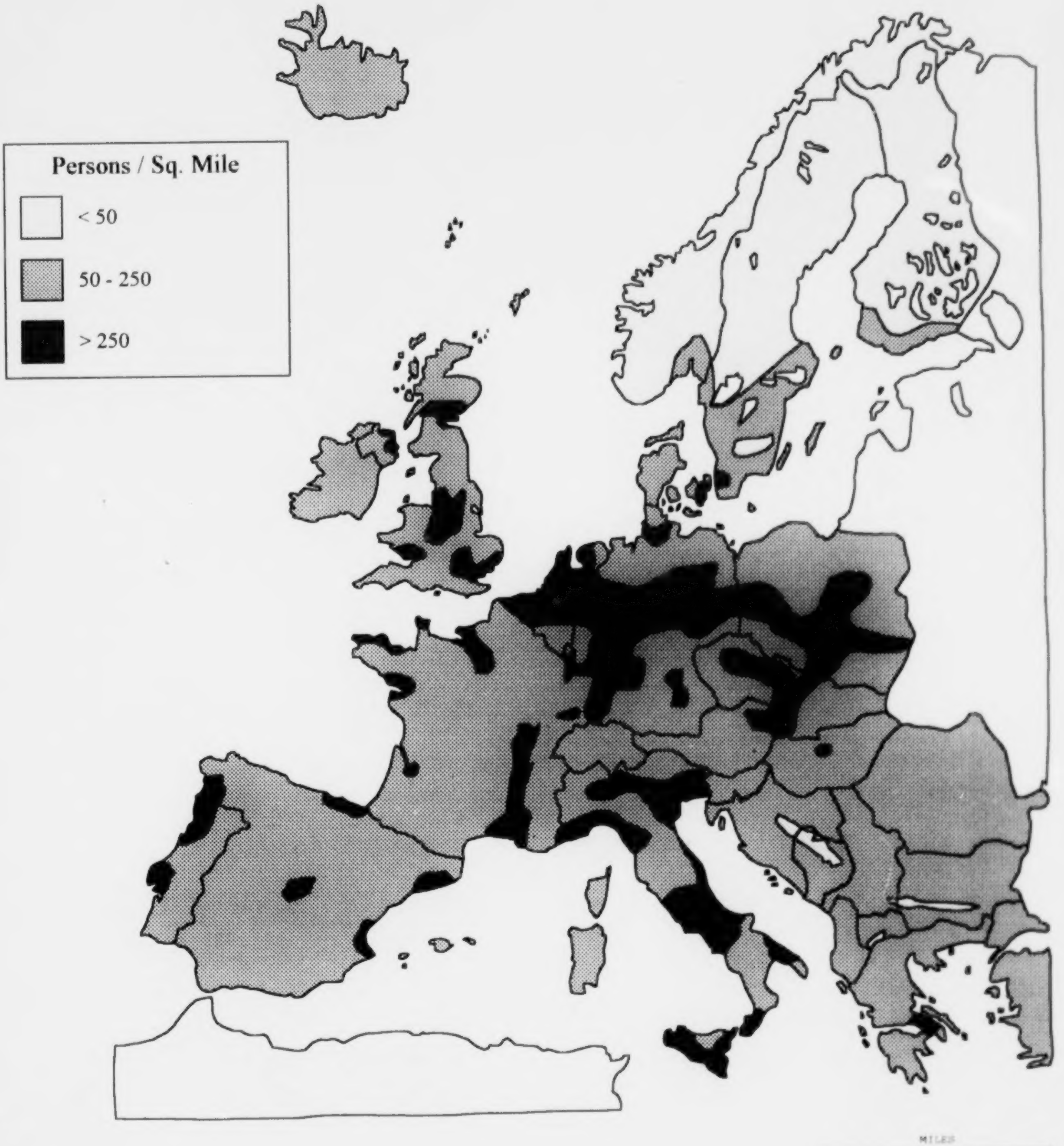

MILES
0
200
400

FIGURE 8
Population Density


Persons / Sq. Mile
< 50
50 - 250
> 250
MILES
0
200
400

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boundaries. Nevertheless, whatever measures are used, the heart of the region encompasses the Benelux states, the Paris Basin and northeastern France, central and south-eastern England, and the Rhinelands of Germany. This core region is, therefore, largely a part of the Great North European Plain and within the area of Marine West Coast climate. A population density map of Europe clearly depicts this core as that relatively compact area with most continuous high densities. (See Figure 8).

Extending from the core are linear zones of population and urban/industrial concentration, most notably those 1) south along the upper Rhine and continuing down the Rhone Valley to the Mediterranean, and 2) east (the "Borde") from the Rhine-Ruhr complex of Germany across north-central Germany into Silesia in southern Poland. Both of these extensions parallel historic corridors of movement. In addition to the transportation advantages, these extensions reflect locations of better agricultural soils and, for the "Borde," the sites of coal fields and consequent heavy industrial activity.

Once beyond the core and its contiguous extensions, the pattern is one of more isolated nodes of development. Among the more important of these developed outliers are northwestern Italy, focusing upon Milan, Turin and Genoa, the Barcelona and Basque areas of Spain, the Athens-Piraeus node in Greece, the old industrial centers of northern and western Britain, i.e. Lancashire (Liverpool/ Manchester), Yorkshire, the Scottish Lowlands (Glasgow), and South Wales, the German urban centers of Munich, Nuremberg, Bremen, and Hamburg, and the Copenhagen-Malmo region bridging the straits separating Denmark and Sweden.

With increasing distance from the core area, peripheral characteristics and problems become more pronounced. A most significant disadvantage for these areas is simply that of sheer distance from the core. Traditionally, most developed economic activities were concentrated along the coasts and in the river basins of the core area. The outlying regions have suffered both from distance from markets and from ready access to major sources of industrial and manufactured products. Beyond the great plains, the landscape of much of the periphery is bereft of significant amounts of level fertile agricultural land. With few exceptions, the Western European periphery also lacks the abundance of and accessibility to the major mineral resources for industry. Considerable portions of the periphery are limited in the range of possible economic pursuits by aspects of climate, whether it be too cold and wet, as in far northern and northwestern areas, or subject to drought and problems of water reliability as in the Mediterranean region.

Characteristics of the "Core Area." Within the northwestern European core area are located several of Europe's most important port cities and navigable rivers. The former include Rotterdam (long the world's busiest as measured by tonnage handled), Antwerp, Le Havre, London, and Amsterdam. Not far beyond the defined core are the major German port cities of Bremen and Hamburg. The Rhine and its tributaries provide access for commerce to and from the North Sea at the Rotterdam "Europort" for the productive hinterlands of western and southern Germany, northeastern France, Luxembourg, and Switzerland. Other rivers are also critical including the Seine, serving the Paris Basin, the Scheldt and Maas/Meuse, linking central and eastern Belgium to the sea, and lower Thames from the London Basin. Connecting these principal rivers are heavily trafficked canals, especially those in Belgium, the Netherlands, and northwestern Germany.

Intense urbanization is another major characteristic. As has been noted, within a radius of 300 miles of the mouth of the Rhine River lie many of Europe's largest metropolitan areas. This urbanized core is interconnected by efficient rail and road networks, as well as air transportation. Belgium, for example, possesses the world's most dense railway net, with those of the Netherlands, southeastern England, and northwestern Germany near that level. Similarly this zone is laced with a mesh of limited access highways, the Netherlands having the most dense development in relation to area. With the completion of the Channel Tunnel (rail) between northern France near Calais and the English coast at Folkestone, Kent, surface transportation between the continent and Britain has been further improved. New high speed limited-stop rail lines from the Tunnel are to serve London, Paris, Brussels-Rotterdam-Amsterdam, and Brussels-Cologne and the Ruhr. Brussels, headquarters of the European Union executive and thus "capital" of the EU, will be no more than three hours by rail from any of these other cities. With such highly developed transportation systems, the existing advantages of the core will be further enhanced.

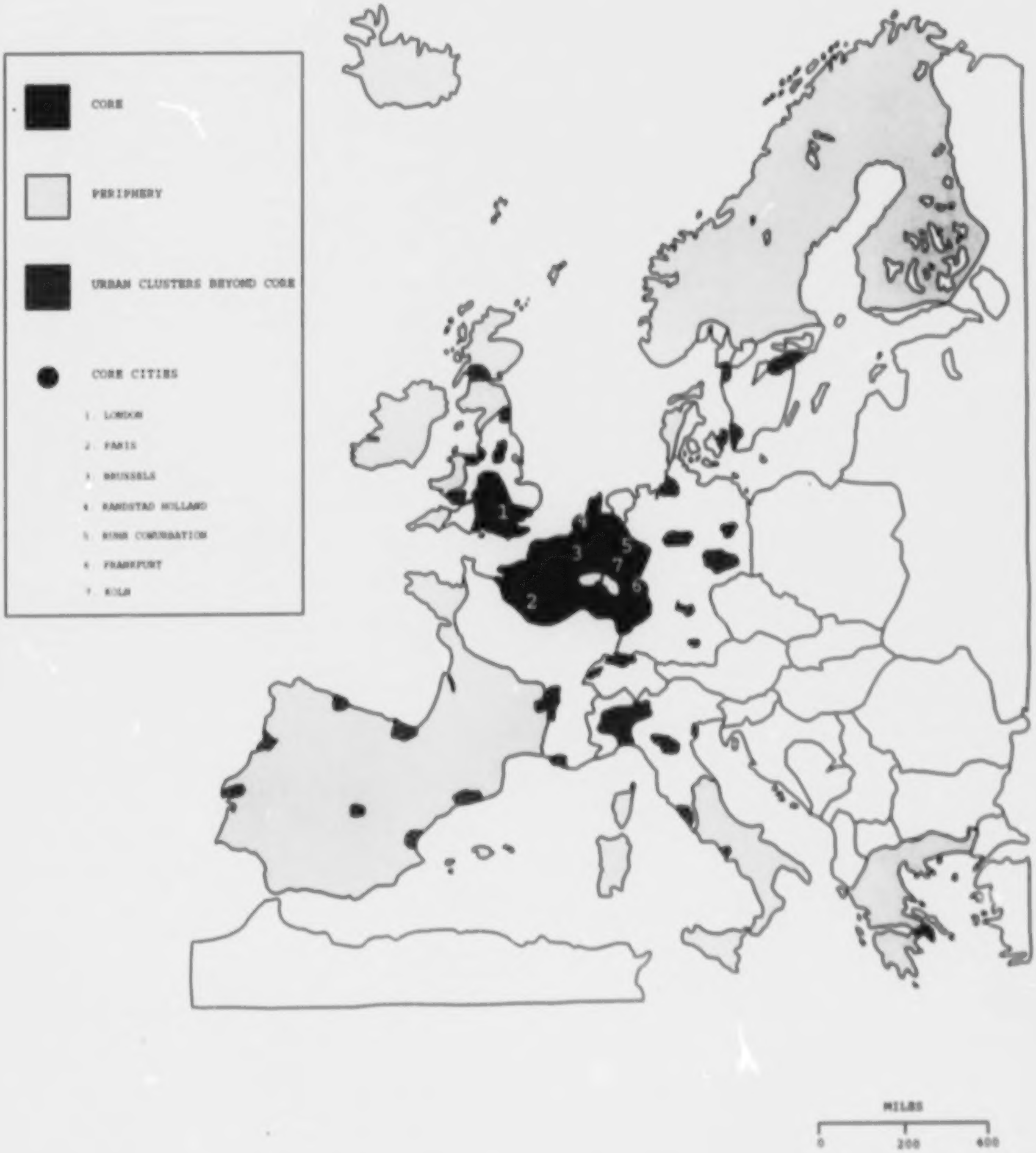
The physical geology of the core area determined the location of the primary resource base enabling this region to emerge as the historic focus of heavy industry. Most prominent is the presence of Western Europe's most valuable coal fields, sited in restricted locales from central Britain to southern Belgium and across north central Germany including the dominant Ruhr district. Associated with immediate access to coal have been the plentiful supplies of water and relative ease of both surface and water transportation. Also the largest of Western Europe's iron ore reserves occurs in the Lorraine area of northeastern France extending into immediately adjacent portions of Belgium and Luxembourg.

The combination of coal and iron ore within a single state, or the ease of import of both, influenced the levels of industrialization among European countries. The centers of the coal/iron and steel industry and associated heavy manufacturing therefore evolved in or near the British, Belgian, and German coal fields and the Lorraine iron ore region. Accompanying this development and investment were the necessary transportation infrastructures, primarily marine and rail. Consequently urbanization followed, as excess agricultural labor migrated to the sources of new employment. With this impetus and that of associated international trade, a pattern of economic supremacy for the region defined as the West European "core" was established. No other region of Europe would compare or compete with this economic heartland.

For such intensive urban industrial development to occur the affected states needed to either supply or gain access to imports of additional foodstuffs to feed growing urban populations. The natural fertility of the Great North European Plain provided much of the agricultural need supplemented by imports, especially from colonial domains and North America. Only Germany, among the principal countries of the industrial core, lacked a colonial empire. The unified Germany of Bismarck then faced this dilemma by both acquiring a belated "empire" and by establishing the Zollverein ("customs union") with central European neighbors guaranteeing an additional source of food grains. France, possessed of only minor coal resources and deprived between 1871 and 1919 of Lorraine ore, industrialized more slowly. Her economy continued to be based strongly on agriculture, as much of the country, located beyond the defined "core area," is endowed with both fertile soils and an amenable climate. Thus the economic priorities and related political attitudes taken by France have long been influenced by her role as Western Europe's most agriculturally productive state. This relative status continues to affect the positions taken by France in European and particularly Common Market negotiations. The French perceive themselves as the primary purveyors of the basic range of food and other agricultural products to the Union. In France the rural constituency continues to have significant political influence.

The Benelux states, though possessed of small but rich and intensively developed agricultural bases, emerged as trading societies increasingly dependent upon imports for human sustenance. Their longer term interests would gravitate toward support of open and free trade, placing them in the forefront of states eager to witness and participate in the lowering of trade barriers and consequent economic integration.

FIGURE 9
West European Core-Periphery


CORE
PERIPHERY
URBAN CLUSTERS BEYOND CORE
CORE CITIES
1. LONDON
2. PARIS
3. BRUSSELS
4. RANDSTAD HOLLAND
5. RUHR CONURBATION
6. FRANKFURT
7. KOLN
1
2
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A gradual change in population dynamics also characterized the emergent urban industrial core. Whereas in traditional rural agricultural societies large families are the norm, the United Kingdom, Belgium, the Netherlands, and Germany experienced the demographic transition relatively early. This involved first the lowering of the death rates due to medical advances and generated rapid population growth associated with industrial and urban development. As the perceived need for large numbers of children gradually diminished in urban societies and the economic advantages of smaller families were realized, birth rates began to decline. Also, among most British, Dutch, and north Germans, there was not the cultural barrier posed by Roman Catholic doctrine to preventive population checks (family planning). Therefore the core area, generally, was the first to attain the "modern" stage in the demographic cycle with relatively low birth and death rates, and slower average annual rates of population growth. In the mainly rural periphery of Western Europe these changes would only emerge later.

The West European Periphery. With increasing distance from the northwest European core area, fundamental contrasts as compared to the core are noted. The differences are both demographic and economic, impacting on the European Union in a myriad of ways. Although exceptions to the rule always exist, the European periphery tends to be less urban and industrial, more rural and agricultural, and less densely populated. If one major goal of the European Union is to work towards reduction in regional economic differences, the significance of the "core-periphery" dichotomy is manifest. In an integrated Union the states and peoples of the more prosperous core will be obliged to financially and politically support those changes which are designed to improve the economic and living standards of less developed peripheral regions.

The periphery generally constitutes those countries or portions of countries beyond the orbit of concentrated 19th century industrialization. It includes most of Mediterranean Europe, that is Iberia, central and southern Italy and Greece, plus large areas of southern and western France, and the highlands of the British Isles. The more remote Caledonian sections of Scandinavia are also peripheral. Not all of this very extensive area can be termed "backward" or deprived, but significant portions do exhibit aspects of comparatively less intensive development. Within the confines of the Union, it is these peripheral areas that receive the greater percentages of economic assistance, largely through agricultural, social, or regional development grants and subsidies.

In addition to the basic disadvantage of distance from the core, these regions are lacking in the resources for industrial development. Little coal or other fossil fuels occur either in the Mediterranean countries or western France, and none in the Nordic states. Indeed, with the exception of the relatively minor quantities of mineral resources in Spain, the periphery is essentially lacking in an industrial resource base. Accessibility constitutes another disadvantage, both within individual peripheral regions, and to and from the core. One need only recognize the barrier effects of the Alps and especially Pyrenees to perceive the historic isolation of Mediterranean Europe. On a lesser scale, but present, is the paucity of efficient transportation available from lowland England into the highlands of Scotland and Wales, and the insularity of Ireland. Indeed much of the once more developed railway net serving highland Britain and Ireland has been abandoned since World War II, with few new or improved roads to compensate.

With the inherent limitations of the peripheral regions, economic development has generally been slower paced. Agriculture, fishing, forestry, and related pursuits continued to play more dominant roles. Often these regions were seen as primarily source areas of foodstuffs, including fish, building materials, and labor for the more industrialized urban centers. In more recent times many of these same peripheral locations have emphasized and developed facilities for the growing tourism industry. This pattern is represented, for example, in the economic relationship of the Scottish highlands, Welsh mountains, much of Ireland, and even Devon and Cornwall to urban England. Western and south-western France have continued to perform a primarily agricultural role. With relatively compact and isolated regional exceptions, these same economic characteristics may be applied to Spain, Portugal, southern Italy, and Greece.

Many of the peripheral regions of Western Europe have also experienced decades of out-migration of population. In this century the greater percentage of this migration has been for reasons of economic betterment. Ireland is perhaps the most familiar case, for the island lost more than half its resident population between the mid-19th and mid-20th centuries. Though still overpopulated, emigration has been an enduring factor for southern Italy. Since the 1950s large numbers of Portuguese, Spanish, and Greeks, in addition to southern Italians, have left their native communities in search of employment, especially in the urban centers of the core area. (Simultaneously the narrow eastern frontier of West Germany, that area adjacent to the former "Iron Curtain," was viewed as negative in the minds of people and potential investors because of its proximity to the Soviet bloc. Government incentives had to be created for this border zone merely to stabilize its population and economy.) Since the founding of the European Community the highest percentages of out-migration have persisted in Italy south of Rome, Sicily and Sardinia, northern and central Greece, much of interior western Spain, adjacent portions of Portugal, and western Ireland.

Yet, for the West European periphery as a whole, most areas continued to exhibit somewhat higher birth rates and population growth than the industrial urban core. The traditional influences, both cultural and economic, in rural agricultural societies tended to prevail, although the demographic variations between core and periphery in this regard are today less pronounced that in the relatively recent past. With greater distances from the core and less developed infrastructures, with few sources of needed raw materials, and with less affluent local markets, the prospects of attracting investment to the more remote regions was reduced. Other incentives must overcome these problems, and these incentives must be promoted and sustained by both national governments and the European Union.

One of the most valued assets of the periphery in the attempt to attract economic investment, create local employment opportunities, and reduce out migration, is the supply of relatively lower cost and potentially skilled labor. Such an attraction is of particular interest and benefit to investors or firms in economic endeavors which are labor intensive, not those requiring local mineral resources or which produce bulk commodities subject to high transportation costs. As labor costs have risen in the northwestern core region of Europe, French, German, Dutch, and other firms, including foreign multi-nationals, have opted to establish new or branch facilities in Spain, Portugal, southern Italy, and Ireland. Within individual member states significant efforts have been exerted through national regional planning measures and grants to attract development to less prosperous areas. Western and southwestern France, and the highland regions of the United Kingdom are examples. Such investments, both from private capital and directly by governments, have often been accompanied and enhanced by tax incentives and subsidies provided by both national governments and the Union. As these regional economic changes occur, some disparities are being slowly reduced.

Between the core and periphery are transitional areas which, though not exhibiting the complete characteristics of the core, are relatively stable and diversified regions, accessible to the core. For the most part these areas have balanced economies, strong agricultural bases together with moderate urban growth, and have increasingly attracted light industry and service activities. Within this intermediate zone are sited several urban growth nodes, acting as development poles for their hinterlands. Examples include Hanover, Nuremberg, and Munich in western

Germany, the upper Po Valley and Bologna in Italy; Dijon and Lyon in France; and Norwich (East Anglia) in the United Kingdom. However, in this same relative location between the core and periphery occur several older industrial and port areas, frequently with problems related to industrial and/or urban change, such as West Yorkshire and Lancashire (Leeds, Bradford, Manchester, Liverpool) in England, Hamburg, Germany, Marseilles, France, and Genoa, Italy. Whether modestly prosperous and stable, or with economic adjustment challenges, these transitional areas are gaining advantages with the improvements in transportation and communications, particularly new express highways and enhanced rail services, bringing them closer in travel time to the core.

NORTH VERSUS SOUTH

The Mediterranean Expansion. Whereas the core-periphery relationship continues to exist, another analogous dimension or perspective has become more pronounced. A spatial socio-economic dichotomy is evident between that broad area generally north of the Alpine system and the Mediterranean region to the south. This perception and reality was enhanced for the European Community with the admission of Greece in 1981, and Spain and Portugal in 1986. A very sizable territory dominated by economic and demographic characteristics associated with the periphery was added.

In the early 1970s Spain and Portugal emerged from the rule of dictatorial governments under Franco and Salazar, respectively. Thus a major barrier to acceptability in democratic Western Europe and the Community was eliminated. Greece gained a democratic regime after a period of military/authoritarian rule ended in 1974. Although still seriously concerned with the economic burdens which would be assumed by the accession of these three states, the Community felt that it had an obligation to support and strengthen the new fragile democracies. Exclusion would be resented by the Mediterranean peoples and their governments. Membership in the EC would act as a strong stabilizing influence politically as well as linking these states economically to the Community. Benefits in several forms were also perceived to the existing Community. Expanded markets for manufactured items would gradually accrue. Also manufacturers especially in the labor intensive industries based in the north, would view favorably the possibility of establishing subsidiary or branch facilities in the Mediterranean region, taking advantage of less expensive labor. In turn, the creation of new employment opportunities in Greece, Spain, and Portugal would hopefully reduce the influx of Mediterranean guest workers, especially to northern cities in an era of diminished labor need. Gradually small, inefficient, and high cost producers in the Mediterranean states would be eliminated, ultimately giving the average European consumer the benefit of lower cost, better quality products.

The enlargement of the Mediterranean dimension has brought with it numerous problems typical of this part of Europe. Prior to 1981 and the accession of Greece, southern Italy (the "Mezzogiorno") constituted the only large EC region characterized by rural overpopulation, high dependence upon agriculture, very limited energy sources and industrialization, and the disadvantages of extreme remoteness from the prosperous EC core. Until the 1970s southern Italy received by far the greatest proportion of Community development assistance such as agricultural support, European Investment Bank credits for infrastructural improvements, and Social Fund benefits. After 1973 the highland regions of the United Kingdom and the Republic of Ireland added to the geographic area of the Community eligible for such assistance. At this stage, with the urging of the United Kingdom, the Regional Development Fund became functional. However, with the inclusion of Greece, Spain, and Portugal, the dichotomy was widened and the proportion of peripheral regions in the aid eligible category increased substantially.

One important spatial attribute of these Mediterranean lands is the distinct differential between the extensive underdeveloped, largely rural areas and the focused concentrations of urban and industrial growth within each country. As economic transformation/modernization has come to the region, associated investment and growth has centered in a few favorable locations. Common among these are port cities, e.g. Naples, Bari/Brindisi, Athens/Piraeus, Barcelona, Valencia, and Oporto; or capital cities, e.g. Athens, Madrid, and Lisbon. Thus, urban/industrial/transportation growth nodes have emerged in a matrix of relatively underdeveloped and often overpopulated rural hinterlands.

Economic and demographic contrasts between the urban centers and rural landscapes within the Mediterranean states have been exaggerated. This pattern is more typical of Eastern Europe and areas in less developed countries of the world than it is of northwestern Europe. The impact is to further stimulate the drift of population away from the poorer and more remote rural districts and toward these urban nodes. Rural infrastructures and community social and economic life deteriorates, rendering the prospects of any significant improvement or investment increasingly difficult in the future.

In few areas of the Mediterranean states, isolated mineral sources have attracted industrial development, principally the iron ore of the Bilbao/Basque region in northern Spain and the coal field to the west in the Asturias Province (Aviles/Gijon). Spain also produces modest quantities of lead, zinc, manganese, copper, and mercury, and has expended considerable sums on hydro-electric developments. Among the 1980s additions to the EC, Spain has exhibited the most rapid transformation from an agricultural to an industrial state.

Regional Variation in Gross Domestic Product. One means of perceiving the disparity that distinguishes the Mediterranean region from most of the remainder of the European Union is difference in average wealth as measured by Gross Domestic Product. Even when weighted, using the "Purchasing Power Standard" (PPS) to eliminate distortions due to price levels and to give GDP in real value, the gap in relative prosperity between Portugal, Spain, southern Italy and Greece, on the one hand, and the core area plus northern Italy on the other, is notable. Few regions within this peripheral South attain 80 percent of the Community average GDP. All of Greece, Italy south of Rome, and Iberia with the exception of the Madrid, Barcelona, and the Basque industrial regions fall below the 80 percent of average level. Only Ireland, among the larger areas of northern Europe, displays GDP statistics at this lower level. The disparities remain considerable when one recognizes that in countries such as Luxembourg, the Federal Republic of Germany, and Denmark, the per capita GDP (expressed in PPS) is between 12 and 25% above the Community average, whereas Portugal, Greece, Spain, and Ireland lie between 25% and 45% below average. Within individual states regional variations in GDP are frequently equal to or greater than differences between states as wholes. This is particularly clear in the contrast between prosperous urban northern Italy and the Italian Mezzogiorno region south of Rome. (Statistical Office of the European Communities 1989, part 14.)

Regional Unemployment. Another measure which demonstrates both the "North - South" as well as "Core-Periphery" dichotomies is regional unemployment. Following the energy crises of the 1970s and the subsequent slowing of the economies of the member states, unemployment in the Community reached approximately 11% in 1986. By 1990 the overall rate improved to 8.3%. However neither countries nor regions within individual countries are evenly affected. Spain's rate has remained uniformly high (over 16% in 1990), as has been the situation in southern Italy (over 21% in 1990 for Sicily, Calabria, and Basilicata), Northern Ireland (15.7%), and the Irish Republic (16.4%). By contrast unemployment rates fell below 5% in 1990 in southeastern

England and southern Germany, with Luxembourg exhibiting only 1.5%.

Both the more remote peripheral areas and smaller economically depressed districts in or near the core display the highest rates. Examples of the latter, including the French Nord (Lille) industrial region (11.8%) and the southern Belgian coal field (13.1% in Hainaut Province), reflect conditions brought about by the decline of mining and traditional heavy industry. Long term unemployment has become an almost endemic problem in some regions with a third or more of the unemployed in the Union being without work for more than two years.

Probably masked by these statistics, especially in the agricultural Mediterranean areas, is the factor of under-employment, both part-time and seasonal. In the late 1980s the Community faced these problems by increasing the resources made available to the European Social Fund to promote job training and focus on the creation of opportunities for the unemployed young (See Eurostat Rapid Reports: Regions 1990, No. 3).

Regional Economic Development Areas. While emphases on the disparities between the core and periphery and the "North" and "South" are fundamental to understanding regional diversity within the Union and the challenges to integration, it must be realized that the North, including the core, possesses problem regions. Similarly the periphery and the South incorporate areas of distinctly modern development and prosperity. Regional exceptions abound, though these are generally much more restricted in areal scale. Such localized differences are the result of both unequal distributions of economic activity (agriculture, industry, and services) and changing economic demands, markets, and production.

Numerous zones of northwestern Europe, including some within the narrowly defined core, receive assistance. This reflects individual circumstances, usually of relative location, changing economic conditions, and/or environmental impacts. Some of these "problem areas" may be classed as older industrial districts where the traditional economic bases, such as coal mining, steel or textile mills, and shipbuilding, have declined, and economic diversification and revitalization are necessary. Examples in this category are Glasgow in Scotland, Northern Ireland, South Wales, the Franco-Belgian frontier including the Lille district and the southern Belgian coal fields, the Lorraine iron mining region, and the German Saarland.

Rural regions, often with declining populations, although in the more prosperous North, are also designated as development areas. These tend to be areas of infertile soils, often accompanied by difficult terrain, where pastoral agriculture or forestry have predominated. The Hercynian plateaus, such as the Ardennes of south-eastern Belgium and northern Luxembourg, and the adjacent Eifel and Hunsruck of western Germany are examples. Likewise the infertile heathlands, with their acid and frequently sandy soils, such as the Kempenland of the Belgian-Dutch frontier and the North Sea coastal plains of the northern Netherlands and Germany, qualify for aid as designated assisted areas.

The narrow zone of German territory adjacent to the border with the Czech Republic and former East Germany fell within the parameters of the development area qualifications. Here sheer proximity to the "Iron Curtain," a problem of relative location, mitigated against investment and was for decades an area of negative psychological impact. Not only were prospects for new investment or development minimized, but the communities within this sensitive frontier experienced out-migration. Today this region no longer qualifies for development aid, but most of former East Germany is eligible for Union benefits supplemental to massive assistance from the German Federal Republic.

The areas of the European Union eligible for assistance qualify on the basis of several criteria. Those receiving maximum aid are the underdeveloped regions, where low income levels, high unemployment, and poorly developed transportation and communications infrastructures are prevalent. These, for the greater part, are the agriculturally dependent regions of the periphery. Other aid-eligible areas are those undergoing redevelopment, principally more limited in size and whose traditional economies were based on heavy industry now in decline. Outmoded physical plants, aging infrastructures, unhealthy working conditions, but particularly declines in market demand characterize such areas. High and sustained unemployment contribute to qualifying them for Community assistance. A majority of the redevelopment regions, such as those cited above, are situated in or proximate to the "Core." Other "redevelopment areas" are those which have remained overwhelmingly rural and agricultural.

The gap between the regions of prosperity and those in decline or relative underdevelopment continues in spite of both EU and national forms of assistance. In part these disparities have been exacerbated by the general slowing of Europe's economy and rising costs of energy and labor, as well as increased foreign competition. An increase in the attention and available financial assistance to qualified regions is part of the Single European Act. According to the SEA, the regionally focused programs will be designed to "promote the development and structural adjustment of underdeveloped regions,"..."to redevelop regions, frontier regions, or areas within regions, including local labor markets and urban communities seriously affected by the decline of industry," and "to speed up the modernization of agricultural structures" as part of a reform of the Common Agricultural Policy.

Sizable portions of the EU periphery and particularly the South will qualify for very significant attention from these assistance and regional development efforts. However the reunification of Germany in 1991 brings into the Community another "peripheral area," the former German Democratic Republic (East Germany), which is in need of massive redevelopment aid and investment. Although the German government will assume the major share of this burden, the European Union will play a significant role. With available assistance limited, though increased, this added geographical dimension will mean further geographic dissemination of such aid. (Statistical Office of the European Communities 1989, part 6).

EUROPEAN COMMUNITY MEMBER STATES AND NON-MEMBERS

Geographical Contiguity of the Founding EEC States. Commencing with the establishment of the European Coal and Steel Community in 1952 followed by the creation of the full European Economic Community in 1958, the six founding member states created a geographic entity with several advantages. Although all democratic western European countries were initially invited to participate in the planning and to accede to these organizations, only France, West Germany, Italy, Belgium, The Netherlands, and Luxembourg signed the final agreements. These six states, importantly, formed a contiguous area avoiding the problems of both political-geographic and physical fragmentation. Only peninsular Italy, particularly the less developed Mezzogiorno (southern) region, was seriously disadvantaged by relative geographic isolation. Also these six countries possessed a considerable degree of economic and trade complementarity.

Whereas this original Community was composed of three large and populous states and three very much smaller, an important geographic and political balance was achieved. The small Benelux countries possess high levels of prosperity and are critically dependent upon international trade. The Netherlands and Belgium also occupy a most strategic relative location for Western Europe, controlling some of the most heavily trafficked arteries of movement, not the least being the lower Rhine and the ports of Rotterdam and Antwerp. Additionally, being situated in small countries, yet with very central locations, Luxembourg City and Brussels were selected to be the administrative seats for the ECSC and EEC, respectively. This avoided placing the sites of power and decision making in any one of the larger states, particularly in either of the ancient enemies, France or Germany. Therefore it was crucial that these three small countries be among the founding members.

The initial full decade of the Community's existence, the 1960s, coincided with a time of unparalleled growth and development. This also was fortunate in providing a successful beginning to an integrative approach never before attempted on such a geographic scale. All previous major attempts to unify Europe throughout history had been essentially on a "top down" basis, with a single powerful state or even individual leader striving to gather territory and people under a centralized rule or authority. Now, in an era of economic prosperity and prompted by the perceived necessity to inextricably link national economies so as to prevent another major war, the logical path was the "bottom up" approach. This meant incremental integration, commencing with the ECSC, and the consent of each member-state at every stage of the process.

Community Expansion from Six to Nine. For many reasons the United Kingdom opted to remain apart at the outset of serious negotiations. The British Isles are not only physically separate from the continent, but it has always been difficult for the British people to view themselves as true Europeans. Still today many speak of "going to Europe" when they intend to cross the English Channel! Psychologically the water separation had always meant protection, merely reinforced by the events of World War II. Also Britain then perceived their Commonwealth and Empire as the most important of their trade ties and commitments, together with the "special relationship" with the United States. They were reluctant to join any organization which would inevitably place trade barriers between the United Kingdom and both the Commonwealth and America. Other reasons for the British reluctance included the fear of losing any of their autonomy in decision making and of the probability of rising prices in the market place, especially of foodstuffs, which would ensue. Those European states which depended heavily upon the British market for their exports, Ireland, Denmark and Portugal being most representative, followed the British lead at this early stage and remained outside the new "Common Market."

However the first move toward expansion of the European Community came in 1961, when the United Kingdom did submit its initial bid for membership. Vetoed by France (and Charles DeGaulle), Britain would wait another twelve years and two additional applications before gaining admission. Following the departure of DeGaulle from the Presidency of the French Republic in 1968, the United Kingdom, Ireland, Denmark, and Norway proceeded in negotiations with the six EEC member states. All but Norway acceded to the Community on January 1, 1973. Although the application from Norway was accepted and all negotiations had been completed, a popular referendum on the issue in the autumn of 1972 was defeated by the Norwegian electorate (an event repeated in the rejection of accession to the EU in 1994). The issues which prompted the negative vote in Norway included the imminent realization of North Sea oil wealth, apprehension of the impacts of foreign labor in-migration, and the prospect of loss of high national subsidies especially by farmers and small business. The accession of Denmark at this time broke, in a sense, the perception of a Nordic regional unity and separation from the remainder of Europe. A less compact, more geographically fragmented European Community resulted with its expansion from six to nine. Simultaneously considerable territory that qualified for various forms of economic assistance was added, namely most of highland Britain (much of Scotland and Wales and the whole of Ireland), as well as parts of the rural Jutland peninsula of Denmark. Unfortunately this enlargement of the Community coincided in time with the first major world energy crisis and the rapid rise in fuel costs.

From Nine to Ten to Twelve. The early years of the decade of the 1970s also witnessed the political change in Spain, Portugal, and Greece which would eliminate that barrier to potential acceptance into the EC. With the demise of the fascist regimes in the former two states and the ending of military rule in Greece, the Community members faced the realization and fundamental obligation to seriously consider a Mediterranean enlargement. Greece, though most geographically remote, was the first to gain admission. There was a sense that bringing Greece into the fold would strengthen and help stabilize a strategically located young democracy and member of the Western defense community. Also this accession brought into the EC a smaller and more easily "digested," though relatively backward, economy. Still major concessions had to be granted to Italy in order for the Italian government to vote its approval. With similar physical environments and exports, especially in the Mediterranean agricultural sector, Italy naturally saw Greece as a rival and direct competitor. Nevertheless political and strategic considerations prevailed and, in 1981, Greece, the most isolated state, joined the Community as its tenth member.

In the case of the Iberian peninsula the prospect of enhancing further the Mediterranean dimension involved a far larger area and population, though with geographic and economic characteristics and problems analogous to those of southern Italy and Greece. Spain, however, had experienced significant growth and modernization from the 1960s as well as political change from dictatorship to democracy in the early 1970s. Portugal remained less developed, but it, too, shed its dictatorial government with the passing of the Salazar regime in 1974. With a paucity of mineral resources, very modest industrialization, and the economic and human drain on Portugal which resulted from her attempt to maintain colonial control especially in Angola and Mozambique, this state had not made major progress toward modernization.

Nevertheless, the European Community had come to fully realize by the early 1980s that the positive reasons for admitting the Iberian countries outweighed the adjustments and costs entailed. As with Greece, there was the necessity to prevent the Spanish and Portuguese from feeling alienated from the Western European community of nations. EC membership would support and help stabilize their young democracies. Iberia forms a contiguous geographic part of Europe and completes the natural Mediterranean limits. Spain possesses considerable economic potential, with mineral resources and a rapidly developing industrial sector. Also the addition of these states strengthens links to North Africa. Of obvious importance was the enlargement of the market for EC products with the accession of a region containing some 50 million inhabitants. Simultaneously the protected industries, both traditional and newly emergent, especially in Spain, faced severe competition within the Community. The accession of Spain and Portugal, together with Greece, has exaggerated the "North-South" dichotomy in the Union, and there will be a period of gradual integration at continuing major cost to the EC budget, especially for the more prosperous member states. The necessity for and the pace of this integration has affected the imminent decisions facing the EU in light of the most recent political and economic changes transpiring in Eastern Europe. The reunification of Germany has already extended the limits of the Community further east, incorporating into the Federal Republic five new 'länder' or provinces, an area in critical need of redevelopment assistance.

From Twelve to Fifteen. Entering the decade of the 90s, Western Europe was composed of the European Community of twelve, with six principal states remaining outside. Of these six, four are Nordic countries—Norway, Sweden, Finland, and Iceland, and two are landlocked neutral states—Switzerland and Austria. All were member states of the European Free Trade Association, which by definition lacked the Common External Tariff that characterizes the much more integrated "Common Market." However, these six EFTA states lacked both spatial geographic contiguity and any major elements of significant economic or trade complementarity. In most instances their respective trade and markets were more with the EC than amongst themselves. Ultimately, three of these, Austria, Sweden, and Finland, applied for and ratified accession into the new European Union.

Sweden overcame a long-held, self-imposed policy of neutrality on the international scene. Finland, following World War II, survived in precarious proximity to the U.S.S.R. by following a practice of compromise and political neutrality. Austria's position is somewhat different, in that her post independence (State Treaty of 1955) existence has been governed by an enforced neutrality. She was precluded from joining any organization which is of a political nature and from any body in which Germany is a member. These restrictions were mandated as parts of the agreement which relieved Austria of post World War II occupation and established her independence. On the other hand her economy, though relatively affluent, has not been as strong as that of Switzerland. Austria's principal trade is with the EU, compensating for a negative balance by revenues derived from her lucrative tourism industry. With the demise of the Iron Curtain, Austria's relative geographic location has become a major asset and Vienna stands to regain some of her lost importance. Accession to the European Community was viewed not only as desirable, but a necessity, by most Austrians.

The West European and Other Non-Member States. Much speculation and considerable discussion is occurring about the possibilities of future EU expansion (See Hurwitz in this volume). The governments of Turkey, Cyprus, and Malta have applied for Union membership. Poland, Hungary, the Czech Republic, Slovakia, Bulgaria, and Romania already have "association agreements" with the EU which Estonia, Latvia, Lithuania, and Slovenia hope also to achieve. The Union faces a dilemma. There is the more urgent necessity for completing the integration process of the most recent Mediterranean members and the three new member states prior to assuming any additional burdens from further expansion. There is also the final effort to complete harmonization under the Single Europe Act (1992) and monetary union, and the unresolved questions regarding the extent to which the Union should proceed toward more political unity under the Maastricht Treaty. Yet there are perceived benefits and responsibilities facing the organization that auger for serious consideration of dealing with the remaining EFTA states, as well as for acquiring a potential "Eastern" or "East-Central" European dimension.

The remaining West European non-members have remained apart for several major reasons. Norway and Iceland are now alone as non-members among the Nordic nations, which had long valued their distinctiveness and regional isolation, and had seemed bound by cultural attributes, similar economic characteristics and linkages. All are of relatively small population and exhibit the benefits that derive from quite homogeneous societies. There had been a natural reluctance to risk change in countries that have minimal ethnic problems and have evolved exceptionally prosperous economies and enviable social standards. And so, Norway rejected Union membership in 1994. Similarly Switzerland's affluence and stature have emanated from her neutral position in the heart of Europe, her unique economic character, as reflected in tertiary activities including banking, finance, and tourism, her high value specialized manufactures and exports, and the international diplomatic roles she plays.

With the changes occurring in Eastern Europe as well as the former U.S.S.R., and the stability and prosperity that has come from Common Market success, neutrality may no longer be viewed as the safeguard or necessity that it long has been. Thus, the neutral European states reviewed their positions. The prospect of remaining outside the Community is being perceived as more and more a potential economic and possibly even political risk. Perhaps even Switzerland may enter talks for some form of linkage in the future. The reality of the situation is not lost on the remaining non-member states; for each their trade, positions in Europe, and futures will be more and more inextricably bound to that of the Union bloc.

Endnote

1. Although beyond the scope of this volume which focuses upon the European Union, the Slavic languages do prevail in much of Eastern Europe, though the general region is far from being a Slavic monolith, as it is often perceived. Those languages which are Slavic include Polish, Czech and Slovak (Western Slavic); the principal languages of Yugoslavia (Serbo-Croatian, Slovene, Macedonian), and Bulgarian (Southern Slavic); and Great Russian, Ukrainian, Byelo-Russian (Eastern Slavic). The language pattern of Central and Eastern Europe, therefore, displays a broad wedge of non-Slavic peoples and area extending from Austria (Germanic) through Hungary (Ural-Altaic) and Romania (Romance), separating the Western and Southern Slavs.

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Chapter 4

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THE POLITICAL INSTITUTIONS OF THE EUROPEAN UNION

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Richard Gunther

Chapter 4

The Political Institutions of the European Union

Richard Gunther

INTRODUCTION

As described in a European Community document, "The Community is a political structure unique in the world. Its legal and institutional framework is unlike that of any other grouping" (Hay 1989, 47). Most Americans find it difficult to understand the type of political relationships that govern the European Union's key political institutions and their interactions with the governments of the member states themselves. The new European Union (EU) is neither fish nor fowl: it is not a federal system like the United States, but neither is it comparable to any of the international organizations to which the United States belongs, such as the United Nations. The EU is not a sovereign regional government whose decisions within its areas of competence are automatically regarded as "the law of the land," but neither are its member states fully independent and free to establish domestic policies as they see fit.

Two additional reasons why it is often difficult for Americans to easily comprehend the nature of political relationships among the governing bodies of the EU is that they have changed considerably over time, and they affect myriad sectors of governmental, economic, and social activity differently. As an EC document describes it, the pattern of governmental relationships within what was then the EC has been "evolving as it goes along, allowing the arrangement best suited to a particular sector or situation to be worked out pragmatically" (Noël 1988, 22). No snapshot in time can adequately capture the role in policy making played by each of the key institutions—particularly the Council and the Commission—or the nature of their relationships with the governments of the member states. Indeed, the Treaty on European Union (also referred to as the Maastricht Treaty, after the Netherlands city where the heads of the member states negotiated its basic terms in December, 1991) substantially expands the scope of EU's activities and shift important policy-making functions among its political institutions.

This is not to say that the formal structures of these institutions are in a constant state of flux: the "organizational charts" describing the Council, the Commission, the European Parliament, the Court of Justice, the Court of Auditors, and the Economic and Social Committee have been stable over considerable periods of time, and have only rarely undergone significant changes (such as under the terms of the Maastricht Treaty). But simply examining the formal organizational structures of these bodies tells us very little about how important decisions are made, and, therefore, about the basic character of the governmental functions of the EU. Thus, it is necessary for us to begin this exploration of political institutions by describing three different forms of government organization—federal, intergovernmental, and supranational institutions—and by describing how and why patterns of governance within the European Union have changed over time. This will involve a brief but essential description of three approaches to regional integration: federalism, functionalism and neofunctionalism, and intergovernmental institutionalism.

THE DEMISE OF THE NATION-STATE?

We have seen in earlier chapters that a significant number of European political leaders saw in the wreckage left behind by the Second World War many reasons why a continuation of full sovereignty of European states should be regarded as undesirable and dangerous. Rather than rivalry and competition, they regarded cooperation and integration among the peoples of Europe as preferable. Rather than nationalistic pride and prejudice, they preferred the development of a broader sense of community membership that would transcend national boundaries. The more ambitious of these visionaries believed that the best means of achieving these objectives was to dismantle the nation-states of Europe altogether and replace them with a United States of Europe. The most important question to arise from this commitment was, by what process could European integration be achieved?

Federalism. One approach is that followed in establishing the United States of America. This involves negotiations among representatives of each independent country over the establishment of a federal structure. Federal forms of government share certain common features. First, autonomy to formulate and execute some policies (within usually well-defined sectors of activity) remains in the hands of the member states, but a strong central government is created that is the ultimate repository of sovereignty. A formal constitutional document is written that attempts to demarcate the separate responsibilities of the states and the central government. Accordingly, foreign relations, national defense, and many other key functions are reserved exclusively for the central government. Disputes will inevitably arise, since the jurisdictions of the two levels of government often overlap or were never clearly spelled out in the constitution, but the central government and its courts will usually be the ultimate arbiters of these disagreements.

Second, decisions will be made at the federal level by a simple majority vote among the elected representatives of the states. No state has a veto over the enactment of legislation. Thus, no state can independently block the enactment of laws that will be binding within its territory.

Third, the central government will create a standing bureaucracy with authority to initiate new policies (subject, of course, to approval by the legislature) and to issue regulations concerning the implementation of established policies that are binding throughout the entire country. The central government also reserves for itself the right to interpret federal law and apply it to specific cases. In some cases (e.g., the United States of America), many policies are carried out directly by employees of the central government (i.e., by its own federal bureaucracy); in other cases (e.g., Germany) most policies established by the federal government are carried out by the individual states' bureaucracies. In both instances, however, federal government law is the law of the land.

Fourth, since the central government has a great deal of legislative, executive, and regulatory authority, interest groups from throughout the country develop close relationships with the various organs of the central government: they establish ties to bureaucratic agencies whose activities are relevant to their interests; they intervene directly in the legislative process by pressing their views on legislators, testifying before legislative committees, etc.; and they cultivate close personal relationships with key central government decision makers.

Finally, once a formerly independent state enters into a federal union, it gives up its sovereignty. It is not free to refuse to recognize federal laws, and it is not free to leave. The American Civil War, the Nigerian Civil War, the violent dissolution of Yugoslavia, and several other dramatic events have made it clear that attempts at secession by states are usually opposed by military force.

We can regard a federal union as lying at the extreme end of a continuum of political integration (although, theoretically, a unitary government without autonomous regional governments, as in Great Britain, could be regarded as even more extreme). This was and still is the ultimate goal of many European supporters of political integration. The European Union is not now, and may never become, a fully federal system.

One reason why attempts at federalism failed in the immediate aftermath of the Second World War is inherent in the basic decision-making process itself. The only way in which negotiations over creation of a federal system can succeed is if each and every state participating in those talks is willing to give up its sovereignty and subordinate itself to a higher level of government. That is, there must be complete unanimity on the ultimate goal of establishing a federal system. If the leaders representing even one single state oppose the ultimate objective of creating such a system—or if they simply oppose the idea of giving up their own independence—they can stop a federalist attempt at integration completely. Because federalism forces the leaders of independent states to confront immediately and directly the most difficult political decision a politician can make—to abolish his or her nation-state as an independent political entity—it is easy to understand why such efforts are usually doomed to failure. The appearance of a single influential national leader (such as Charles de Gaulle, Winston Churchill, or Margaret Thatcher) who wishes to preserve sovereignty of his or her nation is sufficient to block a federalist integration process.

Functionalism. If federalism is not a viable means of bringing about greater political, economic, and social integration among citizens of initially sovereign states, what alternatives are there to a continuation of the status quo? Let us turn our attention to two related approaches dealing with gradual, incremental processes that can progressively transfer government authority to regional government institutions and erode away the sovereignty of member states—functionalism and neofunctionalism. These differ from federalism in one important respect: they do not force political leaders to directly address the most difficult decision (outright abandonment of sovereignty) at the beginning of the process. Instead, they acknowledge that there is no consensus in support of this ultimate objective, and they devise strategies to lure the leaders of nation-states into handing over governmental authority to the international organization in bits and pieces.

Participants in the integration process, therefore, can be motivated by differing goals. While they may disagree fundamentally about what will be the ultimate outcome of the process, they can still reach pragmatic agreements about the next incremental step. They may not agree on the ultimate goal of full federal union, for example, but they can all agree that expanding the markets for their countries' products by eliminating internal tariff barriers is desirable. But in the process of establishing a customs union, they surrender some of their sovereignty and transfer governmental authority (within certain limits) to the regional government body. According to these two approaches, integration is the long-term cumulative product of a series of smaller-scale decisions over which broad agreement is more easily achieved.

The first of these approaches, initially set forth by David Mitrany in 1946 (Mitrany 1966), argued that if nation-states would enter into collaboration with one another concerning uncontroversial, non-zero-sum social issues (where all participants would gain from international cooperation), then cooperative habits would gradually grow and displace the rivalries and conflicts previously characteristic of relations between states. Everyone would agree that the eradication of potentially deadl communicable diseases, for example, may require internationa cooperation: bacteria and viruses do not recognize internationa boundaries, so why should efforts to control the spread of certai diseases stop at national borders? And if the governments of participating states recognize the benefits of cooperation in thi domain, would not success in this endeavor teach them a broader lesson: that international cooperation is inherently better tha conflict? If so, then the scope of international cooperation migh spread to include other areas of government activity as well. I short, this called upon governments "to work for co-operativ solutions to social and economic problems, and thus to root ou the material causes of war, and to promote establishment o increasingly intensive patterns of social interaction across national boundaries" (Lindberg and Scheingold 1970, 7). This "functionalist" approach required only that participating states cooperat with each other within intergovernmental organizations.

Intergovernmental Organizations. This kind of international body should be most familiar to Americans, because it is th only form of organization that the U.S. has chosen to join. I sharp contrast with a federal organization, member states retai full sovereignty. They give up none of their ultimate independence, and are free to leave the organization. Delegates fro member states function as representatives of their respectiv countries, and they take orders from their national governments They can be dismissed as their countries' representatives by thei national governments at any time, for any reason. Since membe states are fully sovereign, important decisions taken by intergovernmental organizations must be unanimous. A single countr can veto the adoption of a new policy, and each state may clai the right to interpret unilaterally the policies adopted by th organization. Intergovernmental institutions of this kind ar assisted by a professional staff, but the organization's bureaucracy has little or no power to formulate and implement policies fo the organization. Finally, there are few, if any, direct contact between the international organization and the citizens of it member states. Since the organization's standing secretariat ha little decision-making authority and controls few, if any, value resources, interest groups are generally uninterested in establishing close ties, choosing, instead, to channel their efforts toward the member states (Tharp 1971, 5).

The United Nations and its affiliated bodies, the Worl Health Organization, UNESCO, etc., are good examples of intergovernmental organizations. Through the cooperative efforts o many member states, they have provided many useful service to the citizens of many countries, and have made a measurabl contribution to the quality of life of many individuals. But it i painfully obvious that the functionalists' prediction of the long term consequences of such cooperation has failed to materialize—the scope of intergovernmental activities has not broadene appreciably to other sectors of social and economic life, and th level of political authority granted to the intergovernmental bodies has not significantly increased. What began as a purely intergovernmental form of cooperation has remained at the intergovernmental level, without any of the progressive political integration that the functionalists expected.

Neofunctionalism. Neofunctionalists added two importan ingredients to the process described above. First, they pointe out that the societies and economies included within the community must be relatively homogeneous in certain importan respects, must have complex, developed, and complementar economies, as well as pluralistic polities, and must be locate within a relatively compact region among generally contiguou states (see Haas 1958, Lindberg and Scheingold 1970, an Schmitter 1972). In short, attempts at integration between Britai and Mongolia is unlikely to progress, while integrative effort would have much greater prospects for success among th advanced industrialized societies and democratic politica regimes of Western Europe.

Second, they argued that an expansion in the scope of the activities falling within the jurisdiction of the international body would not occur by itself. Individual political leaders, wishing to advance the integration process because it is in their institutional self interest to do so, must serve as facilitators, and must perform a key role as strategists and tacticians to induce the member states to give up their autonomy. In short, at the outset of the process, a supranational bureaucracy must be established and entrusted with performance of important functions.

Supranational Organizations. If we can regard federal systems as lying at one extreme end of a continuum (involving the complete loss of sovereignty by once independent member states), with intergovernmental organizations at the other end (where members retain full sovereignty), then supranational organizations should be regarded as falling somewhere between the two extremes. Membership in these bodies represents a partial loss of sovereignty by the member states.

First, it entails establishment of an influential and (within certain limits) authoritative regional bureaucracy that is not accountable to the member states. As we will see, the Commission of the European Community is a supranational body. While its twenty Commissioners are initially selected from among the ranks of prominent politicians of the member states (two each from the larger states of Britain, France, Germany, Italy and Spain, and one each from the smaller Union countries), once they take their posts in Brussels they are explicitly forbidden to regard themselves as representatives of their states of origin: they are expected to represent the Community as a whole, or at least the Community-wide set of interests affected by their respective bureaucratic agencies. In short, an Italian serving as Commissioner for Agriculture is to represent farmers all over Western Europe, not Italians or Italian farmers. In actual practice, Commissioners have effectively represented the Community, often clashing with their own home governments. Commissioners, moreover, cannot be removed from office by their home governments or by the intergovernmental Council of Ministers—they are responsible only to the European Parliament, another supranational body.

A second key characteristic of bureaucracies in supranational organizations is that they play important roles in initiating new policies. In contrast with the U.N. (where important matters are brought before the intergovernmental U.N. Security Council by individual member states, not by the U.N.'s staff), the Commission of the European Community has extensive authority to propose new policies for consideration by the decision-making EU Council of Ministers. In addition, even though the Commission does not itself execute community policies, it scrupulously monitors the implementation of Union policies by the bureaucracies of the member states. When it uncovers violations, it has full authority to bring the offending member state or private sector group or individual before the EU's Court of Justice, whose verdict is binding. Moreover, unlike in intergovernmental organizations (where interpretation of the international organization's policies is at the discretion of each member state), the supranational Commission and the Court of Justice have the exclusive right to rule upon member states' compliance with Union law.

Since the bureaucracy in a supranational organization plays important policy-making and implementation roles, interest groups gravitate towards it. As we shall see, this is an important asset in advancing the integration process, according to neofunctionalist theory.

Finally, even though the principal policy-making body in a supranational organization may structurally resemble an intergovernmental organization (i.e., its members explicitly represent the governments of the states belonging to the organization, and they are usually high-ranking politicians in those governments), decisions are made by votes that are not unanimous. Most commonly, they are approved by a "qualified majority," well in excess of a simple majority. Nonetheless, abandonment of the unanimity principle represents a considerable loss of sovereignty, since no single state can block a piece of legislation that will be binding within its territory.

Insofar as the voting rules followed by the Council of Ministers have shifted awkwardly between the unanimity and qualified majority principles, it may be regarded as in compliance with this important feature of supranationalism only at certain times and with regard to certain issues. For the most part, the Council must be regarded as an intergovernmental body. Table 1 summarizes the differences among intergovernmental, supranational, and federal forms of government.

THE NEOFUNCTIONALIST DYNAMICS OF INTEGRATION

According to neofunctionalist theory, by what processes does integration proceed, i.e., what pushes a regional organization closer to the "federal" end of the continuum, recognizing that it may never become a full-fledged federal system? In two respects, neofunctionalists resemble functionalists in describing this dynamic process, while neofunctionalists go well beyond functionalists by setting forth additional integrative mechanisms.

Functional Spill-Over. One mechanism that is shared by both approaches is "functional spill-over." This is the simple notion that, in a complex society, the performance of one set of tasks overlaps with other tasks. Hence, if an international organization is given responsibility for implementing policies in one sector of society or economy, it may find that it is dragged into closely related sectors as well.

A classic example from the early days of West European integration involves the close relationship between the steel industry and the scrap iron market. The European Coal and Steel Community (ECSC, which was absorbed within the European Communities in 1967) was entrusted in 1952 with responsibility for coordinating the production and marketing of coal and steel within the six member states. One factor affecting the ability to produce a certain volume of steel within a specific price range is the supply and cost of scrap metal. Taking advantage of the unanticipated spill-over between steel production and management of the scrap iron market, the High Authority of the ECSC effectively expanded the scope of its jurisdiction to include the latter function as well.

Another important and more recent example of an expansion in the scope of the (then) European Community activities as a product of spill-over is reflected in the Single European Act of 1986. In order to complete the task of creating a free market for the flow of goods, it became clear that, in addition to abolishing internal tariffs (accomplished in 1968), is was necessary to eliminate all non-tariff barriers to trade as well. This implied that the Union's scope of action had to be greatly extended into areas previously outside of its jurisdiction. Accordingly, as explained in other chapters in this book, this has led to the formulation and imposition of Community-wide policies concerning an enormous number of previously unregulated matters, such as quality standards for the production of many types of goods, and the full array of indirect taxes imposed by member states' governments.

The most dramatic example of spill-over logic concerns monetary policy, which has a significant impact on prospects for achievement of a number of economic integration objectives. Creation of a free market for the flow of capital across member states' borders, for example, would be greatly facilitated by establishing EU control over the monetary policies of all the member states. Without such coordination, changes in interest rates charged or paid by banks in the various member states could culminate in potentially destabilizing flows of capital from one economy to another. Similarly, stable exchange rates or creation of a single currency would facilitate performance of a num-

TABLE 1
Characteristics of Intergovernmental, Supranational and Federal Forms of Government

	Intergovernmental	Supranational	Federal
Who sets new policies?	Ministers/heads of of government of member states	Ministers/heads of government set some policies; ratify others	Central and state governments set policies in own jurisdictions
How are new policies established?	Unanimous vote	Qualified majority vote	Majority vote
Does central bureaucracy initiate new policies?	No	Yes	Yes
Are central bureaucracy's decisions binding?	No	Yes	Yes
Is there direct interest group participation?	No	Yes	Yes
Does central bureaucracy execute policy?	No	Yes	Yes (but not always)
Does the central authority have sovereign control?	No	No	Yes

ber of Community functions, such as maintenance of the Common Agricultural Policy.

Regulating monetary policies of the member states, however, requires EU intervention in a number of highly controversial areas, and would greatly restrict member states' abilities to formulate state budgets and manage their economies. Indeed, the intense fight over this issue was one factor that led to the fall of Margaret Thatcher in late 1990. Completion of a monetary union, as envisaged under the terms of the Maastricht Treaty, commits the European Union to establishing a single currency by 1999, is the ultimate example of spill-over at work, and represents an extremely important loss of sovereignty for the member states.

Actor Socialization. A second mechanism for progress towards higher levels of integration that is shared by both functionalism and neofunctionalism involves learning by representatives of member states of the good that can result from cooperation. Government policies are made by human beings whose attitudes evolve in response to salient experiences and interactions with other political leaders. Successful completion of joint tasks through intergovernmental cooperation can lead not only to the general belief that cooperation can pay handsome dividends, but also to close personal relations with counterparts from other countries. A product of such collaboration may be a sharp reduction in suspicions and an increase in interpersonal confidence among governmental officials that can at least remove some of the barriers to closer cooperation in the future. A recent study of the intergovernmental negotiations that culminated in the Single European Act, for example, alluded to this confidence-building process:

> *As technocrats have internalized norms of cooperation, the national leaders have increasingly supported European integration. At a number of points in the negotiating history of the SEA, for example, domestic bureaucracies appear to have intervened to change the views of heads of government, most notably when British officials helped convince Thatcher to join the intergovernmental conference* (Moravcsik 1991, 51).

The major difference between functionalism and neofunctionalism is that the latter places great stress on the existence of a supranational bureaucracy as a facilitator of the integration process. This facilitating role is relevant to several of the integrative mechanisms explored here. One is based on the observation that "functional spill-over could not itself be counted upon to produce the ever more cumulative integrative process foreseen by some functionalists" (Lindberg and Scheingold 1970, 118). In setting forth his concept of the "autonomy of functional contexts," Ernst Haas pointed out that the coalition of forces in favor of international cooperation in one sector may not at all exist in other sectors, even those that are closely related. Thus, member state governments and relevant interest groups may have to be *persuaded* that a functional overlap (between activities previously entrusted to the regional government and those still outside its jurisdiction) requires an expansion in the scope of regional integration. Since a supranational government body has a vested interest in doing so (where the member state governments clearly do not), it can be expected to formulate arguments based on the logic of spill-over, and press them upon member state governments. And since supranational government bodies have a legitimate right to formulate new policy proposals, such initiatives would not be regarded as improper. In this respect, purely intergovernmental agencies may be at a distinct disadvantage.

Log-Rolling. A more decisive role played by the supranational bureaucracy, according to neofunctionalists, involves mobilizing public pressure in support of proposals to expand the scope and level of regional government activity. Since supranational bodies are linked to many networks of private sector interest groups, they are in a good position to orchestrate campaigns in support of such proposals. They can persuade such groups (many of whom are interested in expanding markets for their goods) that it is in their interest to work for higher levels of integration, and to press their own governments to transfer new governmental authority to the regional level. In some respects, then, neofunctionalist integration theories can be regarded as "a strategy for attacking the castle of national sovereignty by stealth, with interest groups as mercenaries and technocrats as agents within the walls to open the gates quietly" (Nye 1971).

Supranational officials can also serve as brokers between member states whose interests are not inherently compatible concerning an increase in regional integration. They can propose creative deals that convert potential conflicts of interest between member states into positive assets for the integration process. "Log-rolling" involves the formulation of a set of payoffs to different interests within the same economic sector. "Package dealing" involves the linking of payoffs in entirely unrelated sectors in such a fashion as to induce member states to go along with a proposal to transfer additional authority to the regional level. In one of the most important examples of "package dealing," the Commission induced the French to go along with an acceleration of the timetable of establishing a customs union for industrial products (which would mainly benefit the Germans) by promising generous benefits to French farmers through the Common Agricultural Policy. The result was a simultaneous expansion of Community involvement in both the agricultural and industrial sectors of Europe's economies. In the absence of a supranational organization independent of national governments, the differing interests of German industrialists and French farmers might have served as an obstacle to integration.

In short, neofunctionalism stresses the importance of creative leadership by officials of the supranational government body in collusion with national interest groups having some ability to exert political influence over their respective governments. It is an incremental process in which no individual step is perceived as gravely threatening the sovereignty or basic interests of the member states, but which, in the end, locks them ever more tightly into integrated relationships with each other, and which progressively transfers governmental functions to the supranational bureaucracy. As described by Lindberg and Scheingold, "Each step taken forward has tended to increase both the costs of going back and the incentives for going on" (1970, 157). It snares formerly independent states in a web of interdependencies that makes departure from the regional community unthinkable. While it is a process that may never culminate in a full federal union, it nonetheless profoundly and irrevocably transforms them from the sovereign and autonomous states that had initially entered into the integration process.

The Failures of Neofunctionalism. The neofunctional dynamics of regional integration, then, are gradual, incremental, and driven primarily by utilitarian calculations of economic advantage. The principal actors in this process are supranational bureaucrats in collusion with private sector interest groups, who push member states' governments to surrender ever greater levels of government authority to the regional institution.

This process can be seriously disrupted, halted, or even reversed under certain circumstances. When powerful political elites with "dramatic-political" aims intervene in the process, they can overpower the incremental-bureaucratic process described above (Haas 1967). Under what circumstances might they intervene? First, if they are strongly nationalistic in their values and they correctly interpret the otherwise mundane and uncontroversial activities of technocrats and interest groups as a threat to national sovereignty, they may choose to take an active part in blocking the process. Second, if the international environment becomes so turbulent that incremental solutions to problems are no longer adequate, high-ranking politicians must intervene to establish new policy directions. Two of the worst setbacks experienced by the European Community can be understood as products of active intervention motivated by these circumstances. Throughout the 1950s and early 1960s, integration within the European Community proceeded at a rapid pace, largely in accord with the spill-over, log-rolling, package-dealing and actor-socialization processes described above. Completion of the Customs Union in 1968, in fact, occurred considerably ahead of schedule.

But in 1965 a powerful actor with "dramatic-political" aims and nationalistic values intervened to stop the process in its tracks. Charles de Gaulle instructed his country's representatives to boycott meetings of the key EC organs (which they did for a period of seven months), demanded termination of the supranational Commission's right to initiate new Community legislation, and effectively derailed the incrementalist-economic locomotive for further integration. De Gaulle correctly understood the logic of spill-over, and saw that, if left unchallenged, the integration process would undermine French national sovereignty, which, as a committed nationalist, he valued above the promise of economic prosperity.

The immediate stimulus for his intervention was a clause within the Treaty of Rome that established January 1, 1966 as the date when voting by unanimity within the Council was to be replaced by qualified-majority decision making. This would have represented a substantial advance in the integration process, as well as an irrevocable raising of the powers of the Commission, whose policy proposals could no longer be vetoed by a single country. The crisis created by de Gaulle's intervention was resolved by the so-called "Luxembourg compromise." This new policy (representing a unilateral stance that contravened a key element of the Treaty of Rome) permitted majority voting on some issues. But it also stipulated that "on issues very important to one or more member countries, the Council should try to reach unanimity" (Daltrop 1982, 31), thereby implying that every country had the right to veto important legislation.

This led to two *de facto* changes: the real center of decision-making shifted back to the intergovernmental Council of Ministers, and controversial issues were avoided in anticipation of possible vetoes. In addition, a much more cumbersome process was initiated in which the Commission had to consult more extensively with representatives of member states concerning new policy proposals. The net result was that decision making became "a complex and lengthy process, and meant that progress was often slowed to the pace of the most reluctant member state" (Office for Official Publications of the European Communities 1989, 23). Thus, instead of an advance in the integration process, January 1966 actually saw the introduction of *de facto* alterations in Treaty provisions that set back the integration process by decades.

The early to mid 1970s were characterized by social, economic, and political conditions further disrupted the incremental-economic dynamics of the integration process. The value consensus in support of economic development as the paramount goal of most societies began to break down in the late 1960s. High rates of inflation and rapidly fluctuating exchange rates between currencies disrupted planning, and even implementation of the Common Agricultural Policy was severely impeded. Finally, the oil crisis of 1973-75 jolted West European economies out of their accustomed stability and prosperity. This created a "turbulent field" that disrupted the incremental-bureaucratic processes central to neofunctionalism. As described by Haas:

> *'Turbulence' is the term bestowed on the confused and clashing perceptions of organizational actors who find themselves in a setting of great social complexity: the number of actors is very large; each actor pursues a variety of objectives which are mutually incompatible; but each is unsure of the trade-offs between the objectives. . . . A "turbulent field," then, is a policy space in which this type of confusion dominates discussion and negotiation. . . . In such a policy space it is very difficult for organizational actors to develop stable expectations of mutual behavior and performance. . . . This condition erodes the premise of such inter-organizational patterns of consensus, reciprocity and normative regularity as may have existed earlier (1975, 19).*

This altered environment, then, helps to explain why the incremental-economic dynamics of integration characteristic of the earlier period ceased to move the Community forward in the 1970s and early 1980s—a period one observer has described as the era of "Europessimism" and "Eurosclerosis" (Moravcsik 1991, 19).

Intergovernmental Institutionalism? The intervention of political leaders with "dramatic-political" aims does not, however, necessarily lead to the halting or reversal of the integration process. Clearly it did in 1965, with French-nationalist Charles de Gaulle upsetting prospects for progress in the integration process by insisting on retention of unanimous voting in the Council. But not all national political leaders were, are, or necessarily will be hostile to the further integration of Europe. The Treaty of Rome, itself, had been the product of intergovernmental negotiations among national leaders, and it produced the most dramatic move toward union in post-war history.

Similarly, the integration process was given a major boost in 1985 by key national elites who instructed the Commission to draft an extensive series of reforms that culminated in the Single European Act. One part of this Act focused on specific policy areas relating to completion of a single market "without internal frontiers," and is discussed extensively in other chapters of this book. But a second part of this Act instituted a procedural change that significantly affected the functions performed by the key decision-making unit of the Community, the Council of Ministers. It partially reversed the "Luxembourg compromise" by declaring that, henceforth, all decisions pertaining to the interna market would be taken through "qualified majority" voting While there had been gradual movement toward majority voting even prior to the SEA (majority decisions by the Counci increased from a rate of about one per year from 1966 to 1974, to about seven per year in the 1974-79 period, to about eighteen pe year from 1979 until 1986 [Moravcsik 1991, 51]), its adoption greatly facilitated decision making by the Council toward the objective of completing the internal market (See Hurwitz in this volume).

The SEA represents a partial abandonment of sovereignty by the member states. With regard to all issues pertaining to the internal market, individual Council members could no longe block legislation proposed by the Commission—indeed, at minimum (given the number of votes granted to each membe state) it required the opposition of three or more large states t reject legislation, unless a state succeeded in persuading th Commission that the proposal would adversely affect its "vita interests." At the same time, it required a unanimous vote of th Council to roll back a previous decision supported by th Commission. Thus, with regard to market liberalization, considerable governmental authority was transferred to the regiona level by the member states. But this applied *only* to legislatio pertaining to the internal market: in other policy areas, the unanimity principle remained more or less in effect. Thus, this significant step toward integration was a limited and conditiona abandonment of sovereignty by member states.

By what process did this important move take place? Th recency of this event and, as a result, the relative lack of scholarl publications on this matter make it impossible to reach a defin tive conclusion. One study (Sandholz and Zysman 1989) claim that the old neofunctionalist alliance of private sector intere groups (in this case, business organizations) and prominer members of the Commission (especially its then-Presider Jacques Delors) were the key actors. A more recent stud (Moravcsik 1991) rejects this claim and asserts, instead, that th leading roles were played by national political leaders actin intergovernmentally through the Council and through negotiations behind the scenes.

The theoretical framework set forth by Moravcsik, "intergo ernmental institutionalism," stresses the importance of nationa political leaders and their personal values and policy commi ments as the decisive elements in this step toward further integration. Accordingly, calculations of national costs and benefi drive the process, rather than the neofunctionalists' stress on calculations of self interest by private sector interests in conjunction with the Commission's concern with the collective interests of the Union. This new theoretical approach also predicts that this kind of decision-making process will usually result in "lowest-common-denominator" outcomes, i.e., those that will be acceptable to the state (especially if it is a large state) with the least integrationist objectives. If this analysis is correct, then we might conclude that the self-propelling dynamics of the spill-over process, log-rolling, and package-dealing by the Commission may not be the most important characteristics of European integration in the future.

This is not to say that these neofunctionalist mechanisms will be absent from EU politics in the future. Indeed, there is plentiful evidence that the Commission is still actively trying to enlist private sector interest groups as allies in the integration process. A recent official publication of the EC, for example, called upon

> *business to campaign for the changes that are needed for the great market to be created. Without business itself participating in this process, it is all to easy for narrow nationalistic and protectionist considerations to prevail and for the barriers that reinforce them to remain.... Business leaders have an important interest in solving their own business problems through promoting the economic recovery of Europe. They need to tell governments, politicians and national administrations in clear and loud terms that these decisions are urgently needed (Office for Official Publications of the European Communities 1989, 58-9).*

Indeed, even if we accept the argument that the main impetus for the SEA came from national political leaders interacting in an intergovernmental setting, there is no reason to expect that neofunctionalist mechanisms for further integration will cease to exist. They may no longer be the principal driving force behind the process, but they can contribute at least marginally to furthering the process. The neofunctionalist and intergovernmental-institutionalist approaches are not mutually exclusive, but merely place different emphasis on the roles played by different institutions.

The Treaty on European Union is another example of a major step forward in the integration process that was initiated and negotiated through intergovernmental procedures, and largely motivated by national government leaders (particularly François Mitterrand and Helmut Kohl (*The New York Times*, December 9, 1991, p. A10). This agreement massively expanded the scope of European Union functions. EU activities would henceforth include virtually all of the functions of modern governments (albeit through differing procedures and at varying levels of Community authority). These include education, health, the environment, consumer protection, industrial policy, and even foreign and defense policies. Eleven of the original twelve member states (excluding Britain) also agreed to place their social and labor policies (health and safety, social security, unemployment insurance, etc.) under the Community's jurisdiction. Most dramatically, the Maastricht Treaty committed member states to creation of a single European currency and central bank. (Again, Britain at first reserved for itself the right to "opt out" of this commitment at some point in the future.) This implies loss of member state control over monetary and fiscal policies, and represents an enormous transfer of sovereignty to regional institutions. At the same time, however, the Maastricht Treaty substantially reinforced intergovernmental decision-making procedures at the expense of the supranational Commission. Thus, in terms of progress towards a European federation, the Maastricht Treaty represents two steps forward and one step back. Overall, however, it is clear that the European Community has emerged from the doldrums of the 1970s and early 1980s into the European Union of the 1990s.

EU INSTITUTIONS AND POLICY-MAKING PROCESSES

Having explored some of the dynamics that have driven the regional integration process in Europe over the past four decades, let us examine in some detail the most important institutions of the European Union—the Commission, the Council of Ministers, the European Council, the Economic and Social Committee, the European Parliament, the Court of Justice, and the Court of Auditors. In this discussion we shall also explore the processes through which these institutions interact with each other to formulate, execute, and adjudicate Community decisions.

The European Commission. The Commission is a supranational body that plays key roles in initiating new policy proposals and in overseeing implementation of EU law by the governments of the member states. It consists of twenty members appointed for four-year terms (five-year terms, starting in 1995) by agreement among member states within the Council. The composition of the Commission broadly reflects that of the EU itself, with two Commissioners coming from each of the larger states (Britain, France, Germany, Italy, and Spain) and one from each of the smaller member states (Austria, Belgium, Denmark, Finland, Greece, Ireland, Luxembourg, the Netherlands, Portugal, and Sweden).

Even though they are appointed by the representatives of the member states' governments serving on the Council, Commission members, throughout their terms, "must remain independent of the governments and of the Council. The Council cannot remove any Member from office," as a high-ranking EC official once explained (Noel 1988, 6). Instead, the Commission is responsible only to the European Parliament, another supranational body, which has broadened powers under the Maastricht Treay to approve the Commission. As another EC spokesman put it:

> *"The Commission is made up of members chosen for their skills, who can be relied upon to display complete independence. Europeans rather than nationals, the members of the Commission are required to perform their duties in the interests of the Community and may not ask for or receive instructions from the government of any member state" (de Kerchove d'Exaerde 1990, 28).*

As in national parliamentary systems, the Commission can be removed by the European Parliament through a motion of no-confidence approved by a two-thirds majority. The structure of the Commission is also comparable to cabinets in parliamentary systems of government. It is headed by a President with other Commissioners assuming responsibility for specific policy areas, assisted by professional staffs. Accordingly, there is a Commissioner for agriculture, an Internal Market Commissioner, etc.

The Commission's Executive Functions. Unlike the executive and bureaucratic offices of national governments, the Commission does not itself execute most European Union policies. These are implemented by the bureaucracies of each of the member states. The principal administrative function of the Commission is to make sure that the legal codes and public policies of the member states are consistent with EU law. Thus, they must closely monitor the policies of the member states, they investigate suspected violations of the Treaty, and, when infringements are identified, they lodge inquiries with the relevant state or states. A member is given two months to respond to such queries. If its response is unsatisfactory, or if the State continues to engage in the disputed practice, the Commission may refer the matter to the Court of Justice, "whose judgment is binding" (Noel 1988, 13). In this respect, a principal responsibility of the Commission is to serve as the "Guardian of the Treaties" and implementer of European Union law through homogenization of the laws and practices of the member states. The Commission is greatly assisted in these tasks by the fact that the court systems and administrative organs of the member states increasingly respect Union law and decisions by the European Court of Justice as representing precedents for legal and administrative decisions within their respective boundaries. Thus, in carrying out its oversight functions, the Commission is increasingly aided by a decentralized monitoring of the application of Union law by national officials within the member states themselves.

The Treaties of Paris and Rome do give member states the right to claim a waiver of EU law when the country's "vital interests" might be adversely affected. Were it not for an important procedural provision, these "safeguard clauses" could lead to wholesale suspensions of Union law whenever private sector interests or national-government ministries desire to reassert their autonomy, eventually creating a chaotic patchwork of national exceptions to the Unions's policies and a threat to the EU's authority. Such prospects are greatly reduced, however, by the fact that the Commission has exclusive authority to authorize such waivers. Exceptions to Union laws have thereby been held to a minimum, and normally have been granted only to new member states as they attempt to complete the daunting tasks of adapting their national laws and practices to fit with Union standards.

In general, with regard to policy areas clearly placed under its jurisdiction (the Customs Union, the Common External Tariff, the Common Agricultural Policy and, since 1987, the broad array of policies relating to the internal market) the Commission must be considered a powerful, authoritative, supranational body. It reserves for itself the exclusive right to interpret Union law and supervise its application within the member states. In conjunction with the EU's Court of Justice, it can guarantee that national policies and practices are brought into line with the founding Treaties and the Union legislation based upon those treaties. Finally, within those policy areas entrusted to it (e.g., foreign trade policy), the Commission serves as the Union's diplomatic representative in international arenas.

The Commission also serves directly as administrator of sizable and politically significant funds. These include the European Social Fund (for vocational training and other programs to combat unemployment), the European Development Fund (which provides financial and technical assistance to developing countries), the European Agricultural Guidance and Guarantee Fund (for price supports and agricultural modernization), the European Regional Development Fund (to encourage economic development in the Union's poorer regions), and the ECSC's fund for modernization of coal and steel production and retraining of workers (Daltrop 1982, 59). Obviously, it also administers its own operating budget, which amounted to 36.3 billion ECUs in 1987. Nearly two thirds of these resources came from a portion of the Value Added Taxes collected by the governments of the member states, with about one quarter of the Union's revenues derived from customs duties imposed on imports from outside the Common Market, and most of its remaining budget resources coming from agricultural revenues (Noel 1988, 9).

Sectoral Advisory Committees. In reaching its administrative decisions, the Commission does not act in complete isolation. Sectoral advisory committees, consisting of public and private sector representatives from the member states, meet with the Commission and offer non-binding opinions concerning such matters as the administration of the Funds under its control, as well as implementation of the single internal market. In some respects, these committees represent the embodiment of de Gaulle's demand that Commission policy-making processes should involve extensive consultation with member states' representatives. Insofar as members of these committees are not as predictably "Europeanist" in their outlooks as are members of the Commission (and they are more keen to defend particularistic interests), they can exert the kind of restraining influence that de Gaulle had hoped would limit the Commission's freedom of initiative. On the other hand, this consultation process can lead to the forging of a broad consensus (particularly among affected interest group representatives) in support of the policy recommendations set forth by the Commission. Backed by this consensus, the Commission can argue its case before the Council with considerable authority.

The most important of these consultative committees is the Economic and Social Committee. The 189 members of the ESC (representing consumers, trade unions, business, agricultural producers, and others) are appointed by the Council from lists previously prepared by the governments of the member states. The Commission consults extensively with the ESC during its formulation of all new policies concerning social and economic matters (as will be further described below).

A series of "management committees" was also established to implement the Common Agricultural Policy. These committees (one for each of the principal agricultural markets) are appointed by governments of the member states. They adopt opinions by "qualified majority" voting (i.e., fifty-four out of seventy-six) which, if consistent with the policy proposal of the Commission, ratify the Commission's policy and give it the force of law throughout the Union. If the management committee does not approve the Commission's policy proposal, it is referred to the Council, which is given one month to reject the Commission's proposal. Rarely, however, do the management committees refuse to endorse the proposals of the Commission. One survey found that management committees opposed only 18 out of the 2,089 policies proposed by the Commission in 1987 (Noel 1988, 19).

Similarly, in matters pertaining to coal and steel, the Commission is assisted by a Consultative Committee of ninety-six. These individuals represent producers, workers, dealers, and consumers in the coal and steel industries in the various countries.

A series of regulatory committees in other policy areas were also set up along the lines of the agricultural management committees. Since the degree of executive authority in these other areas (e.g., environmental policy, consumer-protection standards, etc.) is less than that which had been granted to the Commission in the agricultural sector, most of the interactions between the Commission and the regulatory committees can be regarded more properly as involving the legislative functions of the Commission, which will be discussed below.

The Council of Ministers. The Council is the principal decision-making body in the Union. It is predominantly intergovernmental, particularly insofar as its membership consists of government ministers from the member states (one from each country), who serve explicitly as national representatives. The Council is an unusual (if not unique) body whose composition varies, depending on the subject matter under consideration. When agricultural policies are on the agenda, for example, the Council consists of the agriculture ministers of the governments of the member states; when transportation policies are being considered, the member states' transport ministers attend; etc. Since foreign ministers function as the main representatives of the member states, the Council that meets most frequently is the Council of Foreign Ministers.

Depending upon the policy in question, the Council makes decisions by unanimity, "qualified-majority" voting, or "absolute-majority" voting (See Figures 2 and 3 in Hurwitz in this volume). In making decisions by absolute majority, each member state casts one vote, and a simple majority determines the outcome. This provision of the Treaty of Rome is rarely applied, however. It is usually restricted to decisions concerning agricultural policies, approval of the Union budget, and appointments to the Court of Justice. Most decisions are made by either unanimity or qualified majority. For all but labor and social policies, a qualified majority is equivalent to sixty-two out of the total of eighty-seven votes cast," with each member casting multiple votes roughly in accord with its population: Britain, France, Germany, and Italy cast ten votes each; Spain casts eight; Belgium, Greece, the Netherlands, and Portugal cast five votes; Austria and Sweden cast four each; Denmark, Ireland, and Finland cast three; and Luxembourg casts two votes. Thus, when only a qualified majority is required for approval of a new policy, rejection of proposed legislation would require the opposition of at least three countries.

The European Council. In December 1974 a European Council was created, composed of the President of France (head of state in a semi-presidential system), the prime ministers (heads of government) of the other member states, and the President and one of the Vice-Presidents of the EC Commission. The twelve Heads of State or Government were assisted by their foreign ministers at the semi-annual meetings of the European Council, but by no other aides. It was believed that this format would facilitate dialogue and decision making; but it has subsequently been realized that the absence of staff assistance at these meetings often gives rise to confusion when it comes time to translate general agreements into specific policies.

The European Council (now including the Head of State or Government from each of the fifteen member states) is headed for six months at a time by a president, who is one of the Heads of State or Government. This position moves from country to country in a regular rotation. The position of President of the European Council is not only symbolically important (serving as a source of pride for the citizens of the smaller European democracies in particular), but it also enables a national leader to play a prominent role in setting the agenda for European cooperation and integration for a period of six months.

The European Council was first established in 1974—a time when the integration process was in the doldrums. In some respects, it could be regarded as a step backwards in the integration process: it created a powerful intergovernmental body at the expense of the supranational Commission; and its initial schedule of three meetings a year was regarded by some Europeanists as encouraging appeals to the Council level decisions that otherwise would have been made by the Commission and its advisory committees. To some, it appeared as the institutionalization of de Gaulle's vision of a form of cooperation and consultation among European states that would not infringe on their national sovereignty. Nonetheless, as argued earlier, this shift to an intergovernmental arena did not lead to a permanent stagnation of the integration process; instead, in 1985 Mitterrand and Kohl used this forum to join forces in pushing Margaret Thatcher to accept the package of reforms that became the Single European Act, and in 1991 this body reached the momentous Maastricht Treaty. In 1985, the Heads of State or Government also agreed to limit their European Council summit meetings to twice a year (instead of the three times per year that prevailed between 1974-1986), as a means of "limiting intervention by the European Council in the general running of the Community" (Noël 1988, 28).

The Committee of Permanent Representatives. In order to enhance policy making and institutional continuity (particularly important since the membership of the Council is constantly changing, in accord with the agenda for each session), the Council is assisted by a Committee of Permanent Representatives (COREPER). This intergovernmental staff structure consists of civil servants and diplomatic officials from each member state, with each State's delegation headed by a Permanent Representative or ambassador. COREPER performs several important functions, most importantly, undertaking preparations necessary for each ministerial level or European Council meeting, and serving as links between EU and member state institutions.

The position of COREPER was strengthened by the partial shift back to intergovernmentalism in 1966. Nevertheless, it has not served to undercut the position of the Commission or serve as an obstacle to the integration process. As described by Anne Daltrop, "In practice COREPER has acted as a 'hinge' between the Commission and the Council of Ministers, in many cases supporting a Community line against that of the national governments" (1982, 67). Daltrop attributes this to the long-term appointments of national officials to COREPER in Brussels, during which many of them come to adopt the Union's point of view on important issues.

Several specialized intergovernmental committees have also been created. Some have existed for decades, such as the Monetary Committee, founded in the first year after the Treaty of Rome. Other committees (usually consisting of officials from the relevant ministries of the member states' governments) have been formed to deal with agriculture, employment, energy, and economic policy. Like COREPER, these committees do much of the preparatory work in advance of ministerial-level Council meetings.

Policy Making: The Commission-Council "Dialogue." The policies established by the European Union take several different forms, and can be roughly ranked according to the EU's level of authority vis-à-vis the member states. In descending order of decisiveness, the Treaties of Rome (establishing the EEC and Euratom) refer to these as "regulations" (which are binding for all member states), "directives" (which are also binding, but which leave it up to the member states to establish specific policies for the attainment of the general objectives established by the Union), "decisions" (which are binding only for the specific public or private sector body to whom they are addressed), "recommendations" and "opinions" (which are not binding). The Treaty of Paris used different language in defining the kinds of decisions to be made by the ECSC, but differentiated among them according to the same hierarchical principles as described above.'

Any understanding of policy making by EU institutions must be based upon a realization that decision-making processes vary, according to the issue in question. With regard to some issues, the Commission has considerable authority to establish policy with little or no intervention by the Council. With regard to other kinds of decisions (particularly those involving politically-sensitive questions or an expansion of Community involvement into new sectors), it is the Council which functions as the principal decision-making body. In short, the actors involved, the procedures followed, and the rules which govern decision making all vary from one set of issues to the next. In order to sort through the complexities of policy making within the Community, several distinctions should be born in mind.

To begin with, a distinction should be made between policy issues relating to the ECSC and Euratom treaties—both 'code-of-rules treaties'—and matters derived from the EEC treaty—a 'framework treaty.' As described by a former high-ranking Eurocrat, the ECSC and Euratom treaties...

> *spell out the rules to be applied and the tasks to be performed in their respective spheres. The EEC treaty—apart from 'automatic' provisions on the dismantling of tariffs and quotas—confines itself to sketching out the policy lines to be pursued in the main areas of economic activity, leaving it to the Community's institutions, and more especially the Council and the Commission in conjunction with Parliament to work out the actual arrangements to be applied within this framework. In a sense, everything to do with the economic union was left blank in the Treaty, but the blanks can be filled in by the institutions* (Noel 1988, 20-21).

In short, the ECSC and Euratom treaties established policies and granted the Commission authority to execute and modify regulations pertaining to the relevant sector. The EEC treaty set forth a commitment to achieve the objective of a free internal market, but merely established the procedural framework within which specific policies for the achievement of that objective would be drafted in the future. Thus, from the outset the Commission was granted more executive authority by the ECSC and Euratom treaties.

This argument should not be carried too far, however. Subsequent policies adopted by the Council have granted to the Commission levels of decision-making and implementation authority comparable to those of the ECSC and Euratom treaties. In general, the Commission has greatest authority in dealing with policies relating to the Customs Union and the Common External Tariff, the Common Agricultural Policy, and the coal and steel industries. The Single European Act substantially increased its authority by adding to this list all matters pertaining to the completion of the open internal market.

A second distinction to be born in mind pertains to the degree to which the proposed policy involves politically-sensitive issues, represents an important new initiative, or threatens the vital interests or national sovereignty of the member states, on the one hand, or, on the other, is uncontroversial, unimportant, or merely represents the issuing of a new guideline or regulation pertaining to implementation of a policy within a sphere of activity clearly entrusted to the Commission (such as the Common Agricultural Policy). The Commission will have considerable latitude for decision in the latter cases, while in the former the Council will play the decisive policy-making role. The Maastricht Treaty further complicated this uneven patchwork distribution of decision-making authority by excluding the Commission altogether from involvement in Community coordination of immigration, police, and judicial matters.

For all except these new policy areas, decision-making process are initiated by the formulation of a proposal by the Commission. This does not necessarily mean that other actors are uninvolved in the early stages of the legislative process, but it does mean that Council decisions are most frequently based upon formal proposals submitted by the Commission.

The Commission bureaucracy initiates this process by establishing the broad outlines of the new policy proposals. Once these have been set, the Commission staff engages in the first round of consultations with specialists from the member states, either through contacts with standing committees or through more ad hoc procedures. As Noel explains:

> *"These experts do not commit their respective governments, but as they are sufficiently well-informed as to the latter's wishes and general position, they can guide their Commission counterparts in their search for suitable technical formulas which will be generally acceptable to the governments"* (1988, 42).

At the same time, relevant interest groups are drawn into informal discussions.

Once the Commission formulates its proposal, differences in policy-making processes begin to appear, depending upon the issue in question. With regard to the agricultural sector (within which the Commission enjoys considerable authority), the proposal is presented to the relevant "management committee" for an opinion. If the management committee endorses the Commission's proposal by a qualified majority vote, it automatically becomes law. It is only if the Commission's proposal is opposed by the management committee that the question is referred to the Council, which is given one month to support or overrule the Commission's recommendation. Very rarely is this latter step necessary. Out of 2,089 policies proposed by the Commission in 1987, management committees supported the Commission's proposal in 1,925 of these cases, failed to issue an opinion (which is tantamount to approval, since the policy subsequently becomes law) in 146 instances, and opposed the Commission's recommendation only 18 times (Noel 1988, 19). Thus, except when significant controversies erupt, the Commission enjoys considerable autonomy, and the role of the Council is nil.

Similarly, the enactment of legislation concerning non-controversial policies in other sectors largely entrusted to the Commission involves the exercise of considerable independent authority by the Commission. The role played by "regulatory" committees in sectors such as management of the Customs Union is similar, except that direct involvement of the Council is somewhat more frequent. In instances when the "regulatory" committee (which actually performs only a consultative role) either fails to support by qualified majority, or fails to take action on a Commission proposal, the Council must make a decision. While most decisions are made by qualified majority vote, on some occasions a simple majority vote by the Council against the Commission's proposal forces the Commission to withdraw and/or modify its original proposal.

With regard to important or controversial policy proposals, or to areas within which the Commission has not been granted considerable authority (e.g., monetary policy and the other new issues taken on under the terms of the Maastricht Treaty), however, the role of the Commission is sharply circumscribed and the Council serves as the most important decision-making body. Commission proposals of this kind are much more carefully scrutinized and broadly debated.

Most important policy initiatives received by the Council from the Commission are sent to the European Parliament (described below) and the relevant consultative committee (such as the Economic and Social Committee). These bodies, in turn, assign the proposal to a relevant committee or subcommittee for study and discussion before rendering an opinion. At this same time, the member state governments will also have received the draft of the Commission's proposal. Member state governments may, in turn, pass on the draft to the relevant ministry or to the national parliament for consideration. In response to the opinions offered by these national, intergovernmental, and supranational bodies, the Commission may decide to revise its original proposal, but the opinions of these groups are not binding.

Once these consultations have been completed (and, on occasion, after the Commission has revised its draft proposal), the Council assigns the proposed policy to an Expert Group, composed of civil servants active in that sector of activity representing the member states. Members of these Expert Groups also consult further with interest groups in their respective countries. It is during this review process that national perspectives and those of particularistic interest groups can be most clearly articulated. If no significant conflicts emerge during this state of the process, the proposal is passed on to the Council for ratification. However, if significant clashes of interest do erupt, the proposal will be passed on to the Committee of Permanent Representatives for further deliberation. If all significant disputes are satisfactorily resolved by COREPER, then approval of the policy proposal by the Council will be perfunctory if not automatic. Matters that cannot be definitively resolved by COREPER (or deliberative bodies at earlier stages in the process) must be effectively decided by the Council itself. In general, the more important, the more conflictual, or the more the issue deals with matters falling outside those sectors clearly entrusted to the Commission (agriculture, coal and steel, the customs union and, since 1986, the internal market), the more decisive the role played by the Council. Conversely, policies concerning less important, uncontroversial, etc., issues can be effectively made by the Commission itself or through its interactions with the lower-ranking intergovernmental committees described above.

Voting rules within the Council also vary according to the issue area under consideration. While the Treaty of Rome stipulated that qualified majority voting should have been established as the normal decision-making principle after January 1, 1966, the practices that evolved out of the "Luxembourg compromise," somewhat modified by the Single European Act, have implied that important new legislative initiatives should be approved by unanimity within the Council.

This does not necessarily imply that a single member will be able to get its way all the time by threatening to veto legislation. Realizing that excessive recalcitrance concerning too many issues can alienate other countries, member states usually hesitate to unilaterally block policies. Instead, they will usually use their opposition to a policy proposal as a basis either for modifications in that proposal, or as a means of extracting concessions in other areas. Since Commission representatives are full participants in all Council meetings, they are in a good position to facilitate such "log-rolling" or "package-dealing" in order to secure approval for their legislative proposals.

Since ratification of the Single European Act in 1986, the hand of the Commission has been considerably strengthened with regard to all proposals pertaining to the internal market. While the SEA did not formally repudiate the Luxembourg compromise, it sharply circumscribed the right of member states to veto legislation on the grounds that it would damage its "vital interests". As described by Moravcsik:

> *To invoke this clause... governments must inform the Commission, which then determines whether a particular measure constitutes an arbitrary form of discrimination or a disguised restriction on commerce, rather than a legitimate form of derogation. The Commission or any government that believes a nation has abused the safeguard clause may seek relief before the European Court, using a special accelerated procedure. [Thus,] the final arbiters have changed: the Court and, to a lesser extent, the Commission—not the member states, as under the Luxembourg compromise—now ultimately determine what constitutes proper justification for exempting a state from an EC decision (1991, 43-4).*

This procedure, however, does not apply to issues not directly related to the internal market.

In general, then, it can be said that new EU policies are established through a variety of patterns of interaction among national, intergovernmental, and supranational bodies—private sector interest groups and representatives of national governments serving on standing and ad hoc committees, the Commission, the Council of Ministers, the European Council, the European Parliament, and, on occasion, even the European Court of Justice. Let us turn our attention to a more detailed discussion of the structure and functions of these latter two bodies.

The European Parliament. The parliament of the European Community is very different from the fully intergovernmental bodies (such as the U.N.) to which the United States belongs. Since 1979, its members have been directly elected by the citizens of the member states—they are not appointed by or responsible to national governments. They do not sit in parliament as national delegations—they are grouped together on the basis of their general ideological predilections. The majority of Members of the European Parliament (hereafter, MEPs) have tended to be more committed Europeanists than national representatives on the various advisory and regulatory committees described above. But like members of parliament in most European democracies, their role in the policy-making process concerning most issues has been limited and is largely symbolic.

As in most democratic systems, seats are apportioned in rough accord with the population of each territorial unit (in this case, member). Of the 626 seats, Germany has 99; France, Italy, and the United Kingdom are each allotted 87; Spanish voters elect 64 representatives; the Netherlands is represented by 31MEPs; Belgium, Greece, and Portugal 25 each; Sweden, 22; Austria 21; Denmark and Finland have 16 members; Ireland, 15; and Luxembourg has 6 representatives in the new European Parliament.

Once elected, however, MEPs organize themselves along ideological/programmatic lines. They form international parliamentary groups that caucus, adopt common policy positions, and vote together (although voting discipline within these groups is often quite lax). The 518 Members of the 1993 European Parliament (prior to the addition of the three new members states and more representatives for Germany due to unification) formed the following parliamentary groups (from right to left): the Technical Group of the European Right (13 MEPs), the Group of the European Democratic Alliance (20 Gaullists), the Group of the European People's Party (162 Christian Democrats and Conservatives), the Liberal Democratic and Reformist Group (44 Members), the Socialist Group (198), and Left Unity (13). The remaining three parliamentary groups cannot easily be located on a left-right continuum: they are the Green Group (28), the Rainbow Group (16), and the Unattached (24).

The European Parliament gives some (but not much) democratic legitimacy to the Commission, insofar as it has the ultimate authority to remove the Commission from office by passing a no-confidence motion by a two-thirds majority. Most MEPs, however, regard this as a crude and drastic mechanism (which has never been used), and would prefer to have the power to remove individual Members from the Commission, or have authority to participate in the appointment of new Commissioners. Hence, the notion of "democratic responsibility" or "parliamentary accountability" of the Commission is very poorly developed. From this perspective, an even more serious limitation of the powers of the Parliament is that the principal decision-making body, the Council, is in no way responsible to it. Thus, one important function of parliaments in democratic regimes—the recruitment of governing elites—is virtually absent from the European Community.

The Parliament also plays a weak and purely advisory role in the Community's policy-making process. Indeed, new legislation need not be ratified by a parliamentary vote (as in fully democratic parliamentary systems). The European Parliament issues "opinions" on proposed legislation, but the Council and the Commission are free to adopt legislation that is not supported by a majority opinion, although in actual practice they do pay some attention to the opinions offered by the Parliament.

The Parliament, however, does have real power in its deliberations over the EU budget—or at least the one quarter of the budget that is malleable (the rest of it constituting largely compulsory expenditures, such as those for the Common Agricultural Policy, where the extent of discretion is much more restricted). Here, the ultimate weapon of the Parliament is to threaten to reject the budget altogether. This has not been a hollow threat: on three separate occasions (concerning the 1980 and 1985 Community budgets, and the 1982 supplementary budget), the Parliament rejected the Council's budget outright. Having demonstrated its commitment to play a more active role in the Community's budgetary process, the European Parliament has subsequently been able to influence budget priorities through its "dialogue" with the Council.

In general, Members of the European Parliament have been dissatisfied with their lack of impact on the development of policy proposals for the Community. In response, there have been some reforms that attempted to address these grievances, but none of these has gone very far. The most recent such attempt was included in the Single European Act. The SEA granted to the Parliament "the power of assent" to major international agreements between the EC and other countries (such as its aid and trade relations with Third World countries under the Lomé Convention), as well as concerning accession and cooperation agreements with countries seeking to affiliate themselves with the Community. This granting of "joint decision-making power" to the Parliament, albeit within a very narrow segment of legislative activity, represents a marginal expansion of its capacity to intervene in the setting of Community policy.

The SEA also included the establishment of a new "cooperation procedure" that can be followed in policy making relating to the internal market and some other decisions for which qualified majority voting in the Council is possible. This basically consists of adding to the policy process a second round of deliberations by the Parliament. Under previously established practice (called the "consultation procedure"), the Parliament would be called upon to formulate an "opinion" concerning proposed legislation at the time when the proposal is first presented to the Council by the Commission. As stated earlier, the Commission *may* modify its original draft in response to parliamentary opinion before further consideration by the Council.

Under the "cooperation procedure," to this initial round of deliberations is added a second opportunity for the parliament to issue an opinion. This occurs after the Council has taken a "common position" on the policy proposal by a qualified majority vote. The Parliament then has a second opportunity to consider the version of the proposal endorsed by the Council. If the Parliament rejects the policy initially endorsed by the Council, the SEA states that a final Council decision can only be made by unanimity. However, if the Parliament has proposed amendments that are also endorsed by the Commission, they can be enacted by qualified majority vote; if parliamentary amendments are not supported by the Commission, a unanimous vote by the Council is required (see Noel 1988, 35-6). Again, it is important to note that this procedure applies only to proposals involving the internal market, social policy, and a few other areas.

Despite this recent procedural change, the European Parliament, like most legislatures in parliamentary systems, is less influential in the legislative process than it is in "oversight" of Community policies. Parliamentary "control" or "responsibility" thus pertains less to the shaping of new policies than monitoring decisions made by other actors and scrutinizing their implementation of established policies. Much of this activity unfolds in the ten specialized committees whose structure more or less reflects the structure of the Commission bureaucracy. Commissioners and their staff aides are frequently called to testify before these committees. Members of the Commission and the Council are also called upon to explain their activities to plenary sessions of the Parliament during "Question Time."

The Court of Auditors. A close collaborator of the Parliament in exercising its oversight functions is the Court of Auditors. Indeed, this body was created in 1977 in part because of requests by Parliament for improvements in fiscal auditing practices of the Community. The staff of the Court of Auditors can examine both the expenditure of Community funds and activities carried out on behalf of the EU by the governments of the member states (such as collection of customs duties and agricultural spending).

The staff resources and auditing expertise of the Court of Auditors greatly assists the Parliament in its efforts to monitor policy implementation by EU and member state institutions alike. As Daltrop points out, "It works closely with Parliament's Public Accounts Committee, which can call upon the Court of Auditors to carry out specific inquiries and advise Parliament to refuse to accept the annual accounts if it is not satisfied with them." (1982, p. 79).

The European Court of Justice. In contrast with the relatively powerless European Parliament, the European Court of Justice exercises a great deal of authority in many areas of everyday life, particularly concerning economic matters (banking, insurance, taxation, restrictive practices, patents, etc.), immigration, and consumer and environmental protection. As Daltrop argues, "All this represents a loss of legal sovereignty by the member states. By joining the Community, they surrendered far-reaching powers to a new and independent legal order, which can act in Community affairs on the international scene, and which can bind its members" (1982, 50).

The need for a supranational body of this kind is obvious, given the context of EU activities: not only is it necessary to have an authoritative body to determine the legality of the policies and activities of the European Community's own institutions, but given the extensive scope of the activities of the Community in, for example, creating a single, free, internal market, it is necessary for a single body to make certain that Treaty provisions and EU laws are interpreted and enforced consistently throughout the Community.

The Court accomplishes these objectives in two ways. First, it rules on cases brought before it concerning alleged violations of Community law. In this respect, it works closely in tandem with the Commission, which, as described above, investigates complaints and launches enquiries concerning both public and private sector agencies and individuals throughout the member states. Many such cases involve allegations that laws and policies of the member states are inconsistent with Community Treaties or laws. Of the 1339 rulings by the Court between 1952 and 1987, 561 were the result of complaints lodged by the Commission, 119 were actions by governments of member states, and 638 were actions by individuals (See Noel, 1988, 38).

The Court is the supreme adjudicator of Community Law—which has precedence over national law within the specific sectors of activity of the European Communities—and its judgment is binding on all member states.

The second way in which the Court succeeds in bringing about uniform interpretation of and compliance with Community law is indirect: its judgments have increasingly been regarded as establishing precedents for decisions by national courts. In this manner, it is not necessary for the European Court itself to resolve all disputes—widespread acknowledgment of the applicability of its decisions to the legal systems of the separate member states has meant that the national court systems have shared in the task of administering a single code of legal principles throughout the Community. These principles pertain only to those sectors directly or indirectly involved with the functions of the Community (they do not involve criminal law, for example), but within those sectors, Community law is supreme.

THE EUROPEAN COMMUNITY AND THE MEMBER STATES

As we have seen, governmental rule making, implementation and adjudication within the European Community is extremely complex. Unlike the virtually complete loss of sovereignty characteristic of intragovernmental relations in federal systems, and unlike the full sovereignty retained by states belonging to intergovernmental organizations, the European integration process has to this point culminated in an uneven and extremely complicated structure of governance. In some areas (the coal and steel industries, the customs union and internal market, the Common Agricultural Policy), the authority of the Community and its supranational organizations (the Commission and the Court) is very extensive. In other sectors of political life (such as foreign policy and national defense), the Community has only just begun to coordinate the activities of the member states. In still others, patterns of governance are intermediate and constantly evolving, with some key actors (most commonly the Commission, "federalist" factions in the Parliament, some interest groups, and the Court) pushing to increase the scope and level of EU authority, while others (the governments of some member states, some interest groups, and some members of the Council) are vigilant in their defense of national sovereignty.

In such a context, it is virtually inevitable that policy processes will be complex, involving considerable "dialogue"—between public and private sector groups, between Community and national institutions, and among Community institutions themselves—towards the objective of building consensus. In the absence of consensus, it is usually quite difficult if not impossible for one actor to impose a policy on another. Coercion or the application of force is not what holds the EU together or makes it work.

These consensus-building processes involve enormous numbers of actors at various stages of the policy process, in the course of which national government institutions and interest groups have numerous opportunities to interact with community organizations and influence community policies. First, the Commission undertakes extensive informal consultations with representatives of member governments and interest groups in formulating its policy proposals. Second, once it receives a proposal from the Commission, the Council refers it to the Parliament and at least one advisory, regulatory, or management committee for "opinions." At this same time, the proposal is passed on to the governments (and, in many countries, the parliaments) of the member states. Third, both the Expert Groups and (if necessary) the Committee of Permanent Representatives that subsequently review the proposal and the solicited opinions consist of national representatives. Fourth, since the intergovernmental Council of Ministers consists of high-ranking representatives of the member states, national interests can be safeguarded at the most decisive stage in the policy-making process. Finally, once the EU has established a policy, it is up to the governments and parliaments of the member states to incorporate the new Union law into their respective national legal codes. If they fail to do so, a different form of "dialogue" may be entered into between Union and national institutions—the Commission may launch enquiries into the reasons for the failure of the member to adhere to Union law, and if not promptly resolved, the issue may be passed on to the European Court for final resolution. Thus, policy making within the European Union involves extensive and often complex interactions among a large number of national, intergovernmental, and supranational actors.

Endnotes

1. While still legally called the Commission for the European Communities, the body is commonly referred to as the European Commission since the adoption of the Maastricht Treaty.

2. Since Britain opted out of the Maastricht chapter on social policy, a qualified majority was redefined as forty-four out of sixty-six votes for these question prior to enlargement (now, fifty-two of seventy-seven). The fourteen member states who have adopted the social chapter have further differentiated between policies requiring a qualified majority (health and safety, working conditions, information and consultation of workers, and sexual equality in the workplace) and those requiring a unanimous decision (social security and social protection of workers, unemployment insurance, collective bargaining, and employment conditions of foreign workers) (*Keesing's Record of World Events*, December 1991, p. 38658).

3. "Decisions", according to the ECSC vocabulary, are roughly equivalent to the Rome Treaties' "regulations;" ECSC "recommendations" are analogous to "directives;" while "opinions" are not binding according to both Treaties' terminologies.

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Chapter 5

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ECONOMIC EVOLUTION OF THE EUROPEAN UNION

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Moore McDowell

Chapter 5

Economic Evolution of the European Union

Moore McDowell

INTRODUCTION

As the Treaty on European Union demonstrates, European integration is concerned with much more than the narrowly defined problems of fully developing the European Economic Community. Nevertheless, the EEC, usually referred to as the EC, has been at the heart of the integration process since the late 1950s, and has provided at some times the political justification, at others the political and economic mechanisms, on which the whole process has hinged. Whether one is interested in the actual evolution of economic integration or in understanding the economic influences on the political evolution of the Community, a knowledge of the economics of integration is indispensable. Not every reader is going to come to this chapter with a degree in economics, and we have tried to keep this in mind by minimising technical usage, or confining it to endnotes. The reader with a prior knowledge of the dismal science who wants to take the subject matter of the various sections of the chapter will find some useful suggestions in the further reading sources listed at the end.

PROCESS OF ECONOMIC INTEGRATION

Types of Economic Association. For many years the European Community was widely referred to as the Common Market. As a description of an aspiration that has been justifiable; as a description of the actual reality it has been misleading. In fact, the whole thrust of the program of "Completion of the Internal Market", popularly called the 1992 program, has really been about the requirements for creating a common market in the EC. In a sense, it is the partial culmination of a process which has been going on for over thirty years, and which is not yet finished. That process is the movement from a relatively primitive type of economic trade association to a full-blown economic merger of countries with all its attendant political implications. Before analysing the process of integration it is important to define fairly exactly what is involved at each stage of integration:

Free trade area (FTA): a group of countries which agree by treaty to remove tariff and quota restrictions on imported goods originating within the group.

Customs union: a FTA which in addition operates a common policy on trade relations with non-member countries, especially by establishing a common external tariff.

Common market: a customs union which removes all restrictions on the movement of goods, capital and labour between member countries, and eliminates all discriminatory arrangements designed to protect firms or groups within a member country from competition from firms or groups in other member countries. As the name suggests, this means a single market for all goods and services.

Monetary union: a group of countries which in the simplest case operates a regime of completely fixed exchange rates between their currencies and permits a free flow of capital between members; in the more advanced case a group which uses a single common currency. Strictly speaking, a MU can exist without a common market (for example, between Ireland and Great Britain between Irish independence in 1922 and 1979), but is usually seen as a further degree of integration following a common market.

Economic union: a common market and monetary union, plus the establishment of institutions and policies to ensure a single regime for macro-economic policy incorporating an effectively unified fiscal policy. This suggests, but does not strictly require, some form of federal institutions.

Free Trade Areas. Economists distinguish between differing degrees of integration between trading economies. The simplest of these is the "Free Trade Area". In such an arrangement, the countries involved agree to eliminate tariff and quota restrictions on trade between them. The European Free Trade Area (or Association), established as a response of non-members to the creation of the EEC, is an example of such an arrangement.

One problem with the FTA is that it does not provide for a common trade policy regime with respect to non-member countries. This can cause problems arising from what are often described as "back-door imports". If we imagine a FTA agreement covering two countries, say the U.S. and Canada, it will provide for Canadian produced goods being given access to the U.S. market. Suppose that (for whatever reasons) the U.S. wanted to protect a particular industry from competition from imports from a third country, and that no such industry existed in Canada. U.S. tariffs could effectively close off direct imports, but would not apply if the third country producers decided to establish a plant in Canada to "produce" (in fact, probably only to finish production of) the commodity concerned, the components for which it could import into Canada without paying U.S. tariffs. The result would be that the U.S.-Canada FTA would undermine American commercial policy vis-a-vis third countries. The same, of course, would apply in reverse to Canadian policy.

Customs Unions. This results in a strong incentive to add to the FTA arrangements. Not to do so would result in the FTA agreement becoming unworkable through these backdoor trade flows. The easiest way to deal with the problem is for the members to negotiate a common policy on tariff or quota restrictions on imports from non-members. The alternative is a costly, administratively difficult and ultimately rather porous regime of regulations, inspections and restrictions designed to distinguish between bona fide and backdoor trade.

If the countries involved decide to set up a common set of trading rules for dealing with third countries they have moved from being a FTA to establishing a "Customs Union". This is characterised by a regime of free trade between members and identical restrictions (or absences of restrictions) for all members on their imports from the rest of the world. The set of tariffs they agree to adopt is called the Common External Tariff, and, together with any quota restrictions, makes up the Common External Commercial Policy.

Proceeding to a customs union, however, brings the members' attention to further problems affecting their trading relations amongst themselves. For example, less obvious restrictions on the freedom to sell the goods of one country in the markets of the other FTA partners remain untouched. These are usually described (inaccurately) as non-tariff barriers, but in reality include devices which on the surface appear not to have much to do with trade at all, but are designed to achieve totally different targets, for instance regulations on product safety which have the (unintended?) side effect of making it difficult for a foreign producer to sell in a given competitor's home market. American exporters have for a long time and with considerable justification claimed that their attempts to penetrate the Japanese market have been frustrated by Japanese product standards. In addition to such hidden protectionist measures, trade is hindered by other restrictions such as border controls and paperwork, genuine differences in product standards, and differences in sales taxes.

Common Market. Faced with these problems, the members of the original FTA can solve them by moving forward to a stage of integration described as a "Common Market". In this arrangement they agree to ensure completely free access to each other's markets for producers in any of the member countries. The first and most obvious things to go are border formalities. This in turn requires agreements on product standards, and has implications for arrangements outside the economic sphere, policing, for example. It also (and especially in Europe, with the system of Value Added Tax rather than the simpler U.S. sales tax system) necessitates harmonisation of indirect taxes and an agreed mechanism for "clearing" taxes (as banks "clear" cheques to settle their accounts). A common market goes beyond just eliminating the so-called non-tariff barriers. It involves recognising that free access to a market may mean the right to establish operations in a member country. Hence, it involves a right to free movement of capital between countries, and an absence of any restrictions on establishment or investment that discriminate for or against firms from any member country. It also requires free and integrated markets in services, which in turn implies free movement of professional and skilled labour. Finally, when capital is permitted to move freely, labour in general will have to be given the same mobility.

At this stage, the economic association between the members has become much deeper than simply an arrangement to facilitate trade between them. A common market means that there is really a single market for goods and services uniting the member countries. To realise this state of affairs was the goal of the EC's program known variously as the 1992 Program, or the Program to Complete the Internal Market, or the Single Market.

This level of unification in its turn draws attention to other problems affecting trading arrangements. The first is the question of money and exchange rates. The second is the need for joint decision-making powers concerning government policy affecting the economy.

Fluctuating exchange rates are a barrier to free trade and free movements of capital. An exporter faces uncertainty as to the value to be received for the goods sold when they are converted into the currency of the importing country. To cover against this it is necessary to enter a contract for sale of foreign currency in the future. This means getting someone else to carry the risk, and will carry a cost. Even the business of currency conversion is costly. Hence, variable exchange rates act as a barrier to the movement of goods, services, and capital. They also mean that interest rates may be higher in one part of the common market than another, which affects the competitive position of producers in the higher interest rate areas. Finally, the possibility of changing the exchange rate offers governments a means of intervening to protect firms from foreign competition by manipulating the exchange rate when under free trade rules no such protection is permitted.

Monetary Union. To avoid these trade distortions, actual and potential, the member countries of the common market will have to move to reduce and if possible eliminate the room for exchange rate fluctuations. The mechanisms adopted for this purpose can be complicated and cumbersome. Their final result, however, is to replace the moneys of the several member countries by a single money, although the token currencies may survive.

In Europe, the establishment of the European Monetary System in 1978 was the first concrete step towards a monetary union for the EC. It established maximum bands within which currencies could fluctuate and mechanisms to ensure the desired result. The success of the EMS in aligning countries' currencies made possible the move towards monetary union decided on at the EC's intergovernmental conference of December, 1990, and the agreement on a single European currency proposed to come into effect in 1999 as part of the Maastricht Treaty.

The process of monetary integration involves major changes in the way countries conduct their economic policies. A commitment to a target value or range of values for the foreign exchange value of the U.S. dollar would oblige the Federal Reserve Board to align American monetary policy with that obtaining in the rest of the world: in effect the rate of growth of the U.S. money supply and the level of U.S. interest rates would become subject to the requirements of maintaining the desired exchange rate for the dollar. The same is true within the EU. This raises the question of who determines EU collective monetary policy. In practice for many years the answer to this was that the Germans pursued their own monetary policies aimed at low inflation, and the other EC countries to varying degrees followed the Germans to the extent that they wished to maintain a fixed exchange rate against the Mark. This meant surrendering a degree of sovereignty . . . to the German Bundesbank. Under the Union Treaty, monetary policy will be directed by a new European Central Bank.

Economic Union. The political problems at the common market stage are in the main those of agreeing on a common set of rules for intervention and non-intervention by member state governments in their economies with a view to distorting trade or factor movements in favour of their own firms, and setting up a mechanism for enforcing such rules. Again, this involves a loss of sovereignty. The decision to move towards monetary union makes it a priority matter to set up common organs of macroeconomic policy, dealing with such matters as fiscal policy (the size of any fiscal deficit) and monetary policy. At the same time freeing up trade imposes on member governments the need to harmonise their tax structures. It is obvious enough that if sales taxes are to differ *substantially* between states, border controls will be necessary to prevent tax avoidance; but border controls have to go if trading costs are to be reduced so as to make a reality of free trade. Similarly, free movements of capital and labour will bring about pressure for harmonisation of individual and corporate income taxes. With the harmonisation of taxes and the removal of all barriers to movements of goods, services, labour and capital we have created an economic union.

Meanwhile, governments will have lost much of their ability to use monetary policy to influence their economies because of the fixed exchange rate. This in turn implies that they will find it very difficult to operate any kind of effective fiscal policy, since budget surpluses and deficits directly affect (and are affected by) monetary policy. Indeed, the member states of the EU have agreed to strict restrictions on national budget deficits as part of the transition to the European Monetary Union. Increasingly, they will find their individual powers to influence economic events being eroded, while the problems they face will not go away: unemployment, regional disparities of income, disruptions to traditional patterns of production.

Faced with this, the member states of a monetary union will have to decide between having *no* policies in these areas or having *joint* policies. Joint policies involve a joint policy decision-making apparatus, common economic governance. In the view of many economists this means that the ultimate implication of the process of economic integration and unification is further political union, of which the Maastricht Treaty is one further step.

An Inevitable Progression? A natural question at this point is whether it is possible to halt the process of economic unification at any particular stage. On this, it has to be said, opinions are divided. The presentation here has emphasised one particular aspect of the problem—that is, the tendency for any given stage of the integration process to give rise to problems which are solved by proceeding to the next stage of the process. Implicit in this is the view that a failure to proceed will mean that the problems will not be solved, and that this in turn will give rise to pressures which may cause the process to start to unravel. For example, if at the FTA stage backdoor imports become a problem, and a customs union is not set up, the implication here is that protectionist pressures will lead to the FTA agreement being watered down by trading restrictions and/or costly regulation and monitoring of the composition of trade between the FTA members.

Against this, it has to be recognised that the original EFTA, set up by the UK and others as a response to the EEC, did not become a customs union. (On the other hand it didn't become much of anything. It had limited success in promoting trade between its members and has already lost most of its members to the Union and is likely to disappear). Similarly, Britain has held out for a long time against the idea of monetary union as being desirable, let alone inevitable, and shows very little willingness to contemplate moving to anything like the sort of federal structure predicted by those who agree with the arguments presented here.

IMPACT OF ECONOMIC INTEGRATION

Trade Creation and Trade Diversion. In Chapter 7, George Vredeveld has treated the external trade relations of the European Union. It is sufficient here to remind readers of a few pertinent points of economic theory that have guided the integration process.

Economic theory predicts that increasing trade should increase overall economic welfare. Where arrangements such as the EU are concerned, however, an additional complication has to be taken into account. While a common market results in a greater degree of trade between the members because the barriers to trade are removed, it also involves a set of restrictions on imports from non-members. This leads to the possibility that trade could be *distorted* as well as *increased*.

A classic example of this effect is the consequences of membership of the EC for Britain, which has been a major food importer for nearly 200 years. In the decades before and after joining the EC in 1973, Britain's trade with her EC partners increased substantially. However, her imports of foodstuffs from her traditional suppliers, the U.S., Australia, New Zealand and Canada, fell drastically. This was the result of the operations of the external trade aspects of the EC's Common Agricultural Policy or CAP (see below). In effect Britain replaced her imports from the traditional suppliers with purchases from the members of the EC. The cost of producing food in Europe was higher than in the previous supplier countries, and this effect was enhanced by the EC's commitment to high food prices. The consequence was that as a result of joining the EC Britain shifted from a lower cost to a higher cost source of supply for food imports. While the gains from trade are based on a presumption that trade lowers the real cost of goods and services, Britain's experience is not clearly a gain from a more liberal trade regime.

Thus, it is not sufficient to establish whether or not the terms of an agreement like the EC result in more trade between the member countries. We must also look at the pattern of trade with non-members, and establish whether as a result of the terms and policies associated with membership the countries involved have replaced imports from non-members with higher cost imports from members. If this has taken place, it is described as *trade diversion*. Notice that this means not just altering the source of imports, but also moving from a low to a high cost source of supply.

Trade diversion reduces world real income and reduces the gains from scale, competition and specialisation (described below). Within the trading bloc which introduces the diversion it also redistributes income among the members. In the example cited, it redistributed real income from consumers/importers of food to producers/exporters within the EC. The big gainers were farmers (producers) and France, Italy, Denmark and Ireland (exporters). The losers within the EC were consumers and the importing countries, West Germany and Britain, and outside the Community, farmers in Australia, the U.S., Canada and New Zealand.

The basic determinant of the degree of *trade creation* is the extent to which the dismantling of trade restrictions between the member countries (a) liberalises trade between them, while (b) raising (or at least not reducing) trade with non-members as living standards are raised. The degree of trade diversion will reflect the extent to which the bloc's "common commercial policy" introduces restrictions on trade with non-members which are on average tougher than those in place before the member countries joined.

As far as the EU is concerned, the evidence suggests[1] that with the exception of agriculture the trade diversion effects of the Treaty of Rome have been very small, and the trade creation effects have been quite significant. The principal reason for this is the relatively low level fixed for the Common External Tariff at the inception of the Community, and the progressive reductions in that tariff, both under the GATT negotiations and independently since 1958. In certain areas, however, the EU remains open to accusations of non-tariff barriers to free trade with non-member countries. An alleged example is the refusal of the EU to prevent member state governments from (according to opponents) subsidising production of long range passenger aircraft through Airbus Industrie, a notorious bone of contention with the two major U.S. airframe manufacturers.

Sources of Gains from Integration. Economic integration aims at increasing the real incomes of the participating countries by increasing trade between them and by permitting factors of production to be used more efficiently as a result of being able to move to regions or uses which maximise their productive potential. The gains from increased trade arise from the reorganisation of production, and are usually described as being due to three separate effects. These are gains from *specialisation*, *economies of scale*, and *competition*.

Free trade enables increased country by country specialisation to take place, with each country tending to concentrate on producing for export those goods in which it enjoys a *comparative advantage* and using these exports to finance imports of other goods, some of which it might have produced domestically in the absence of trade.[2] Comparative advantage can be explained as being due to either differences in technology and productivity[3] or to differences in endowments of factors of production, in which case a country has a comparative advantage in producing goods which, other things being equal, use more of the factor(s) with which it is well endowed.[4] The key point is that **comparative advantage implies that economic integration will tend to increase country by country specialisation and differences in economic structures,** and that international trade flows will be dominated by "one-way" or "inter-industry" trade patterns, with any commodity being **either** an export **or** an import, and rarely if ever appearing as both other than as a result of problems of classification of goods for trade purposes. The factor endowment account of comparative advantage further implies that the greatest volume of trade should be observed between countries of similar incomes but very different resource availability.

Gains from trade as a result of *scale economies* is a concept that goes back to Adam Smith who declared in 1776 in his *Essay on the Nature and Causes of the Wealth of Nations* that the limits to the division of labour (which he saw as the source of productivity growth) were set by the size of the market. Free trade between countries would expand a firm's market, and enable it to lower its costs by increasing its production volumes. In modern terms, trade permits firms to take greater advantage of scale economies. Scale economies, especially in the context of production of goods which are differentiated either by image or by real characteristics (autos, for example, or breakfast cereals), will result in different consequences for trade from comparative advantage. Most importantly, **the scale explanation of trade predicts less specialisation and a dominance of "two way" or "intra-industry" trade.**

The scale account of trade further predicts that trade will be dominated by exchanges between countries of similar economic structure, and that trade will grow fastest between countries which are similar in structure and growing most rapidly. Finally, the scale explanation implies that if anything trade tends to make countries' economic structures tend towards international similarity, especially when there are easy movements of labour and capital.

Gains from increased trade via *competition effects* reflect the fact that barriers to trade not only prevent countries from taking advantage of specialisation and economies of scale, but in many cases result in a less competitive economic regime behind tariff barriers. This arises from various causes. For example, if trade barriers are high enough to prevent competition from foreign suppliers, and if there are scale economies in production, it is likely that at most a few firms will produce for the domestic market. In the absence of competitive pressure, domestic producers may be slow to innovate, and relaxed about production costs. If firms do not face foreign competition, unions have a stronger hand in bargaining over pay, work conditions and manning levels. In short, trade restrictions can result in higher domestic costs because absence of competition means that inefficient production methods are not eliminated ruthlessly. Also, firms face lower incentives to introduce more efficient methods or better quality products because the efficiency gain may be appropriated by organised labour.

Integration: the Experience of the EC. In this section we look first at the impact of economic integration on the trading pattern of the countries of the EC, primarily among themselves, but also between them and other countries, and try to evaluate the degree to which integration benefited the EC states and the rest of the world. Then we try to establish the relative importance of the different sources of gains from integration, as this in turn will help us to predict how further integration of the Union under the "1992" programme is likely to affect Europe and through it the rest of the world.

The first question to be addressed is that of trade creation and diversion. Estimation of the relative impact of trade creation and diversion is not as easy as the distinction between them might suggest. First, there are always problems of data: it is notorious among economists that while the sum of the world's trade balances between countries must come to zero, it is virtually impossible to reconcile this underlying truth with the published trade statistics. Secondly, the pattern of trade before and after integration will reflect other factors besides the change of trade regime. Clearly, there is room for legitimate disagreement here and, as a result, for differences in quantitative results. This does not, however, prevent us from reaching broadly agreed qualitative conclusions, whatever the unreliability of individual numerical results.

Discussing the many studies published around 1970 (dealing with the first decade of the life of the Community), two authors summed up the position as follows:

> *"There are a number of studies that have reported on attempts to construct such estimates. Individually the various methods must be judged unreliable. . . (b)ut collectively the available evidence is capable of indicating conclusions of about the same degree of reliability as is customary in applied economics. . . (T)here is a wide margin of uncertainty about the correct figure, but the order of magnitude can be established with reasonable confidence"* (Williamson and Bottrill 1971, 323).

On that basis it is safe to say that in its first ten years, the EC had the effect of creating trade to a degree three to four times greater than it diverted trade.

Furthermore, the trade creation effects were not confined to the original six EC members: the pattern of world trade strongly suggests that the result of the establishment of the Community with its common external tariff was to increase trade between the Community and the rest of the world to a substantially greater degree than it diverted trade from outside the Community to within it (Mayes 1978, 1-25). This pattern was not uniform, however. While the U.S. and some other advanced countries benefited from increased trade, there appears to have been net trade diversion from the member countries of the other Western European trade bloc, EFTA, and from less developed countries which did not enjoy a special relationship with the EC (El-Agraa 1990, 64).

Since the early 1970s, when most of this work was done, two developments have occurred which enable us to be more sanguine about the impact of the EU on trade, internally and in the rest of the world. The first is the expansion of membership, from six to fifteen countries, which brought most of the EFTA countries into the EU. The second is the continued process of trade liberalisation under the GATT negotiations, in which the EU has reduced its Common External Tariff significantly. In addition, the system of preferential treatment for underdeveloped economies has been vastly extended, from the original fewer than twenty territories provided for in 1958 to about seventy today. It is really only in the area of temperate climate agricultural products that the question of trade diversion by the EC is a serious issue. Here, the continued policy of excluding North American and Antipodean producers from the European market is a substantial source of trade diversion. This has been all the more the case as a result of the adherence of Britain to the Union, as she is a major food importer.

The second question to be looked at is how the different sources of increased trade have affected the structure of the economy of the Union. Broadly speaking, this can be broken down into two categories of effects. First, there is the degree to which free trade encourages concentration of production in those activities in which the country or region has a comparative advantage. If this is the dominant effect of integrating the economies, we would expect to see increased specialisation by output type by country. Statistically, this would show up in different patterns of employment development by sector across the countries of the Community, and trade flows increasingly dominated by "one-way trade". Recall that this means a country will *either* import *or* export any given commodity, but will not in general be both an importer and an exporter. This is certainly the overall pattern of production and exchange which traditionally has dominated inter-regional trade in the U.S. The fact that it is breaking down in the U.S., with industry and services becoming more uniformly spread across the country by commodity type by region, indicates that it is unlikely to be the dominant aspect of the impact of trade liberalisation in Europe, and this, indeed, is what the output and employment statistics show.

This is illustrated well by the pattern of industrial growth in France and Germany in the decade after the establishment of the EC. If specialisation had dominated the source of gains from trade, then the consequence of free trade would have been for industries to expand in one country and to shrink in the other. Looking at a selected group of eight similarly defined industries producing tradable goods and coming from across the spectrum of industrial production we see no such pattern.

Tables 1(a) and 1(b) display production levels for these industries in France and West Germany, respectively. The general pattern is of growth in both countries rather than growth in one and decline in the other, which is what one would expect from a scale economies/product differentiation account of the gains from trade liberalisation. Exceptions are meat and newsprint. In the first of these, the relative expansion of the German industry can be ascribed to the impact of the Common Agricultural Policy (see below). In the second, we can see the impact of specialisation: German afforestation gave it a comparative advantage in the production of newsprint. Interestingly, we can also see parallel contraction in the case of cotton fabric as competition from Third World countries started to bite.

TABLE 1 (a): FRANCE

INDUSTRY	meas	1960	1962	1964	1966	1968	1970
ALUMINUM	kmts	282	342	366	423	439	468
STEEL	kmts	2780	3093	n.a.	2895	3104	2926
MOTOR VEHICLS	'000s	1349	1536	1615	2024	2116	2750
RADIO/TVS	'000s	n.a.	3661	3797	3750	4069	4433
COTTON CLOTH	kmts	233	241	242	224	199	201
NEWSPRINT	kmts	551	432	463	461	417	430
PLAST.RESIN	kmts	347	448	611	800	1008	1519
MEAT PRODS	kmts	2780	3093	n.a.	2895	3104	2926

Source: U.N. Trade Statistics; kmts: '000 metric tonnes.

TABLE 1 (b): WEST GERMANY

INDUSTRY	meas	1960	1962	1964	1966	1968	1970
ALUMINUM	kmts	302	320	408	440	489	568
STEEL	kmts	34100	32563	37339	35316	41159	45040
MOTOR VEHCLS	'000s	2054	2357	2910	3051	3103	3839
RADIO/TVS	'000s	n.a.	5631	6205	6632	7179	9665
COTTON CLOTH	kmts	289	223	206	199	186	182
NEWSPRINT	kmts	230	230	202	232	284	408
PLAST.RESIN	kmts	982	1257	1754	2293	3256	4327
MEAT PRODS.	kmts	2600	2877	n.a.	3065	3370	3551

The second aspect of trade liberalisation concerns its impact on inter-country and inter-regional differences in income per head. According to standard trade theory, trade in goods can be seen as a substitute for movement of labour and capital. If the latter could move freely between geographic locations and between uses, the returns to each would be equalised by arbitrage, and inter-regional differences in incomes would tend to disappear. One of the major differences between Europe and the U.S., even in the 1990s, but all the more so a generation earlier, is the relative immobility of labour as compared with North America. At the same time, capital was restricted in mobility right up to the end of the 1980s.

Ideally, free trade should reduce or eliminate income per head differences. The intuitive explanation for this is that differences in the rewards paid to labour or capital would mean different costs of production, and competitive pressure would bring about factor reward equalisation through free competition in the markets in which the goods produced with those factors of production are sold. What, then, has been the experience of the Union in this respect?

After thirty years, differences in net income per head and in wage rates by occupation are still substantial within and between the original six member countries. They have, however, been reduced. In particular, and with the serious exception of the Mezzogiorno, Italian incomes and pay rates have come much closer to those in France, Germany and the Low Countries. Within Italy and France substantial inter-regional differences persist. As between the newer members and the older ones, the gap in income per head between Ireland and Britain, on the one hand, and the old six on the other has not narrowed to any great degree. On the other hand, incomes are rising rapidly in Spain relative to the other EU countries, and a narrowing of the gap seems to be taking place in Portugal.

Whether these trends reflect the integration process is another matter. In the Irish case, the rise in farm prices in the 1970s did something to increase incomes relatively, but this was largely confined to the farm sector and has been reversed as the EC's farm policies were changed in the middle to late 1980s. Non-farm pay rates, however, rose relative to German rates during that time. Spanish incomes have been rising rapidly since the start of the tourist boom in the 1960s. In Britain, the aggregate failure of incomes per head to approach EU levels masks massive regional variations: incomes and property prices in the south-east and around London increased very rapidly in the 1980s, while industrial decay in the north and in Scotland was accompanied rising unemployment and falling income per head.

Just how much income equalisation we should expect through economic integration is questionable. The experience of the U.S. shows us that it takes a long time and is imperfect, even in a market where there is a common language and set of laws, and little by way of legal restriction on labor movements. Admittedly, the U.S. labor market is faced with the problem of race discrimination, which is of a completely different magnitude in the EU.

The evidence in Europe is far from being complete, but such as it is, it seems to suggest that the integration process is accompanied by a degree of approximation of income levels by sector, allowing for such factor as male/female wage differentials and participation rates. This is in accord with the predictions of standard trade theory. What is clearly not happening is a tendency for the integration process to achieve a general equalisation of pay rates by means of adjustments in the structure of industry. Labour is not merely less mobile as between countries than between regions in the U.S. (which is hardly surprising) but it appears to be very immobile as between industries and regions within the member states. This tends to sustain wide inter-country differences in income per head, especially because industrial adjustment to free trade has resulted in the creation of stubborn problems of unemployment in some areas rather than the redeployment of labor to new jobs.

COMMON ECONOMIC POLICIES: RATIONALE

From an economic viewpoint there are three basic reasons for which an association like the EU would adopt common policies in economic affairs. These are in the end the same reasons as those which impel national governments to conduct national economic policies within their own frontiers, but in this case on a larger scale. The first of these is the problem of dealing with instances of *"market failure"*. The second is the advantages to be obtained from carrying out certain economic functions collectively rather than at an individual level. The third is the need to establish an *economically equitable and efficient environment* within which firms and households can transact business.

Market Failure. This refers to circumstances in which we can predict with at least a high degree of probability that market interactions between firms or individuals or between firms and individuals will not produce an economically efficient allocation of resources. The classic instance of this is the impact of environmental spillover effects when firms do not have to pay for the environmental impact of their activities. In effect, the environment is a free input into their production processes as far as they are concerned, so, naturally, they will prefer to use it rather than pay for a more costly production process involving less spillover. It is the absence of a "market" for the use of the environment which is the root cause of the problem. Firms do not "internalise" costs that they do not have to pay (that is, "external" effects) into their decision making. As a result, output exceeds what it would be if external costs were taken into account; resources are being inefficiently allocated between uses. This can work the other way: benefits produced by a firm's or an individual's actions which accrue to others will not in general be taken into account by the firm or individual in production or consumption decisions.

To deal with this problem we use collective action: taxes, subsidies, regulation, restrictions and collective production. The EU has a role to play here because increasingly we realise that external effects may not be capable of being adequately dealt with at the level of the nation state. This is obviously the case where environmental issues are concerned, as was forcibly brought home to Western Europeans by the Chernobyl incident. Before this, however, there was growing pressure to deal on a transnational basis with the problem of acid rain, which has devastated German forests. Less dramatic, but just as significant, is the problem of pollution of Europe's major internal waterway, the Rhine. Not only can riparian states impose pollution costs on their downstream neighbours, but the benefits of pollution controls in one state are captured by other states without having to pay for them.

It has to be said that while problems such as these have for a long time been recognised as a basis for collective action at the national level, it is only in recent years that the need for serious international cooperation has been widely recognised. It is safe to predict that while the other reasons for collective action (described below) have dominated EC policy making over the last thirty years, the next decade or more will see environmental and similar issues assuming a much greater importance in the EU and between the EU and other countries.

Collective Advantage. The EU is a major economic entity. In its relations with the rest of the world it may be of use to a member state to use the collective weight of the Union to influence events to its advantage. This is already recognised in the area of trade policy as the EU operates a common external trading regime and increasingly is responsible for negotiating trading relations with other countries (see below). More subtly, the EU can affect the economic well being of its member states and their citizens through common policies in so far as these can lower the costs of supply of resources.

The example of the impact of the EU energy policy will help to illustrate this. Since the first oil shock in the mid 1970s, the

Union has followed a policy of requiring member states to adopt energy conservation measures. This had the effect of restraining demand for imported oil, and so turning the terms of trade in Europe's favour relative to the countries of OPEC. No one country in the EU would be large enough for its energy policy to affect seriously the world price of imported oil. Collectively, however, the EU constituted a total purchasing power sufficiently massive to cause prices to be sensitive to its internal energy policy.

Harmonisation. Most economic and social policies are one way or another based on the need for establishing a unified economic space in the Union. In order to ensure that there is full economic integration, it is necessary to eliminate all barriers to free exchange of goods and services throughout the EU (See Hurwitz in this volume). Thus, the governments of the member states cannot by legislation, regulation or any other means interfere with an individual's or a firm's right to buy or sell anything anywhere in the community free of any protective restriction. This has resulted in the EU becoming involved in such areas as labour and company law, anti-discrimination and product safety regulation, entitlements to social security, road traffic code, as well as matters such as the structure of taxation in the member states.

While the need for harmonisation is widely accepted, the experience of ordinary individuals over the last decade has not been such as to induce implicit confidence in the wisdom of the Commission in this domain. There is a widespread view, especially in the UK, that Brussels bureaucrats are inclined to harmonise for harmonisation's sake, often regardless of the real need for such policies and of the different traditions of the countries which make up the EU. Examples of this are the proposals that beer in Britain should no longer be legally saleable in traditional pint and half pint glasses (part of a programme of harmonisation of weights and measures legislation), and that there should be a community wide set of ordinances on when lawnmowers could be used in urban areas. That such measures should even be proposed indicates the degree to which care about harmonisation should be exercised.

Discontent over developments like these has led to the Commission publicly opening a debate on what is called "*subsidiarity*": the concept of delegating decision-making responsibility to that level of government which is best able to deal with it in any particular area of social concern. This is likely to have some considerable influence on the mechanisms for collective decision-making adopted in the treaties for closer union to be negotiated in the future.

INTERNAL POLICIES

The EU has developed a range of internal economic policies to deal with a variety of problems since its inception. Some of these are direct developments of express commitments made in the Rome Treaty (the Common Agricultural Policy is one of these) while others have developed as a response to changes in the policy problems facing the member countries (examples are energy policy and the developing environmental policy). In terms of the overall development of the EU so far, there can be little doubt that the most important policy areas have concerned agriculture, regional development and competition.

Common Agriculture Policy (CAP). The politics and economics of the EU's involvement in the farm sector are very complicated. The mechanisms adopted to further policy in this area have had serious implications outside the Union, and have bedevilled its trade liberalisation negotiations over the last decade. Finally, the cost of agricultural support programmes has absorbed on average around 70% of the Commission's annual budget since the early 1970s. Despite the fact, then, that European agriculture accounts for well under 10% of GDP (and is declining steadily in importance) it is necessary to have a good understanding of the method (and madnesses) of agricultural policy to understand how the EU has developed, and to appreciate the constraints imposed on its future evolution by policies adopted in the past.

The origins of the policy (officially) are to be found in the negotiations behind and the terms of the Rome Treaty. It was felt necessary to ensure that free trade in agricultural goods would be compatible with certain structural, equity and strategic requirements. Equity required that the gains from free trade should be divided between producer (farmer) and consumer (households) especially because farm incomes per head in the old Six were low relative to the overall average and were felt likely to fall further as the EC developed. Structurally, it was felt that it was desirable to halt, or at least slow down, the steady decline in the rural population which characterised Europe for the century and a half up to 1960. Strategically (for politicians as well as generals are much given to refighting the last war), it was felt that the capacity of the EC countries to provide sufficient food supplies to meet wartime exigencies should be maintained, partly because in the late 1950s Western Europe was a food deficit area, even if Britain is excluded. Achieving these goals would mean that free trade in farm goods would have to be accompanied by mechanisms designed to maintain farm incomes and output capacity.

There were, of course, other motives behind what emerged as the CAP. Specifically, France wanted as high as possible prices for her farm exports (being a food exporting country). Germany was prepared to concede a protectionist farm regime partly as a price for tying down France to a commitment to a liberal, pro-competition policy on industrial trade, and partly because German farmers would be less exposed to competitive pressures from more efficient French farmers if food prices were relatively high. Finally, if industrial free trade on a "level playing field" basis was to emerge, it would be necessary that the industrial sectors of the member countries would not find production costs distorted because one country's food prices (a major factor in determining labour costs) were lower than another's.

The CAP had substantial implications for the developing EC. First, these policy measures involved the establishment of an important common set of policy targets and instruments. This provided a degree of cohesiveness to the Community in its first decade. Second, it removed from member governments the obligation (and responsibility) for maintaining farm incomes, which in turn eliminated the possibility of distortions of trade in industrial goods via food subsidies. Third, it shifted the cost of financing farm supports from taxpayers (especially in the food exporting countries) to consumers (especially in the importing countries). This permitted governments either to lower taxes or to increase other spending. More importantly, however, it introduced a mechanism for income redistribution and resource transfer within the Community. Since farm incomes were in general lower than other incomes (and still are), the CAP in effect transferred real incomes from richer, food importing areas and countries to poorer exporting areas and countries. Whether intentionally or not, the EC thus provided itself with an ad hoc mechanism for inter-regional transfers, the basis of any regional economic policy. It also provided an embryonic form of inter-regional balance of payments disequilibrium adjustment mechanism, a function performed in the U.S. by the Federal budget (See Regional Policy below).

Outside the EU the CAP is best known for the surplus production it has generated and the consequences of measures taken to deal with those surpluses. In its simplest form, what the CAP did was to establish a price for a specified range of goods which was higher than the market clearing price. At this price, farmers' production exceeds the quantity demanded by consumers. The surplus is bought by the Commission (In Euro-speak, it is said to be "sold into intervention" and stored) which, of course, has to be financed somehow. The cost of this financing at its peak come to absorb over 70% of the EC's budget. In addition, we have to remember that storing (or disposing of) accumulated surpluses is also a serious financial problem.

The Union's European Agricultural Guidance and Guarantee Fund (EAGGF), which meets the cost of the price support mechanism, accounts for about 90% of EU farm spending, with the balance being on agricultural reconstruction and development and on administration. Efforts to curb support spending (see below) have met with some success, but EAGGF still accounted for 50% of the EU's 1994 budget.

In one sense, the CAP has been very successful: farm incomes and food prices in the EU are both substantially higher than they would have been otherwise. In another respect, however, it appears to have failed. It did not stop the decline in the farm population. In retrospect, this is hardly surprising. Raising the price of foodstuffs will in general increase the return to the ownership of land more than it will the rewards to labour (including the labour of the farm family). This implies that gains from the policy will reflect the size of the farm, with large farmers gaining more absolutely and proportionately. The population outflow from agriculture has always been disproportionately from among small farmers, and the relative decline in their incomes under the CAP did nothing to stop the outflow.

Other CAP Problems. The partial success of the policy in raising average incomes among surviving farmers, however, has been the source of its undoing. In the 1970s and early 1980s farmers in the Community received moderately rising real (i.e., after inflation) prices for their produce in so far as this was covered by EAGGF. Naturally, they tended to produce EAGGF products. There was constant pressure to extend EAGGF cover while, predictably, the demand for farm output was stagnant or at best rising very slowly. The combination of stagnant demand, rising real producer prices and extended cover under EAGGF led to the phenomenon of rapidly rising surpluses in storage (described variously as wine or olive oil lakes, beet or butter mountains). This in turn led to financial and political pressure to reform the farm support system.

Matters were also complicated by the administrative and financial cost of trying to reconcile the aims of the CAP when the exchange rate system in general shifted from fixed to flexible in the early 1970s. As the French franc and other currencies fell relative to the Deutschmark the question arose as to which currency or currencies to use as the basis for determining food prices. Legally speaking, they were fixed in European Units of Account, a form of shadow money calculated as a weighted average of the currencies of the EC. When, for example, the D-mark/Franc rate changed, with the Mark rising in value relative to the Franc, this de facto meant a change in the intervention or floor price in both France and Germany. If nothing were done, this would imply *either* lower D-mark prices in Germany *or* higher Franc prices in France. The first would expose German farmers to the threat of lower real incomes in the face of French exports to Germany as the French franc fell. The second would give French farmers a windfall gain at the expense of French consumers.

To deal with this, a dual exchange rate system was introduced, known as the *Green Currency* rate system because of its origins in the problems of the farm sector. Agricultural goods were traded at the exchange rates which had previously obtained, and these "green" rates were only slowly brought into line with prevailing market rates. Under this system, farm exports from the depreciating currency country were taxed by an amount equivalent to the exchange rate change. Meanwhile, farm exports from the appreciating currency country would attract a subsidy, again equivalent to the exchange rate change. The result of this would be to insulate the competitiveness of a country's agricultural sector from changes in the exchange rate (Why? Because for political and social reasons it was felt that maintenance of the status quo in farming was desirable).

Unfortunately, this gave rise to substantial complications. In the first place, different prices (measured in one or other currency) on either side of a land-frontier sustained by a system of taxes and subsidies on the movement of goods gave birth to a smuggler's paradise. Goods would pass openly (collecting the subsidy) from the revaluing country to the devaluing one, and then would pass covertly back (sometimes literally underground) to avoid the tax, only to be re-exported, with a further subsidy attached. This became known as the green currency "carousel". It cost the EC a small fortune in transfers to enterprising smugglers and imposed policing costs on the countries concerned.

Secondly, it prevented farmers in devaluing countries from obtaining a real income increase and aroused political protests from their representatives. Thirdly, it acted to disconnect price levels in each country from the exchange rate, which in turn made it more feasible to use exchange rate manipulation to create a temporary competitive advantage outside agriculture.

In addition to these problems, the accumulating surpluses caused difficulties for the EC overseas. Faced with the growing surplus mountains, the Commission tried to reduce its costs by subsidising exports rather than intervention purchase. This not only hit farm incomes in the U.S. and other temperate product countries, but undercut the viability of agriculture in several developing countries. This led to serious politico-economic problems, especially with the U.S. in the GATT negotiations.

These difficulties were compounded by a growing realisation that in terms of the economics of comparative advantage, it was folly for the EC to be using scarce resources within Europe to produce goods which could be obtained at a lower resource cost by exporting industrial goods or services, and that a regime of high food prices in Europe as a whole made Europe less competitive.

Internal financial pressure on the EC budget from the cost of the CAP reinforced long-term British objections to the system as a whole, and led to moves to reform (i.e., partially dismantle) the CAP during the 1980s. Britain's attitude reflected her self-interest as a food importing country with the lowest proportion of farmers in the EC. Germany, too, as the largest net contributor to the EC budget, as well as being a food importer, became dissatisfied with the CAP. This alliance proved sufficient to move the Community to start to reduce the incentives for surplus production during the later 1980s. This took the form of reducing intervention prices in real terms by raising them by less than inflation and by introducing quantitative restrictions on the amount of produce which would be bought into intervention. In budgetary terms, these changes were reasonably successful: the proportion of the budget going to farm supports fell substantially between 1984 and 1994. They did not address, however, the overall problem for the EU in its external relations posed by the general restrictions on temperate climate food imports (particularly from the U.S.) and the continued dumping of surplus production on world markets for whatever it could get.

Regional Policy. Like the U.S., the EU shows a considerable degree of variation in income per head as between its various regions and countries. Indeed, the degree of income variation by region as measured by dispersal around the mean is greater than in the U.S. In the EU the difference in incomes per head is more marked as between regions than is the difference in economic structures, while in the U.S. the difference in economic structures is more marked than the difference as between regions.

One reason for this is that the factors of production, and particularly labor, are more geographically mobile in America than in Europe. A second reason is that there exists a mechanism for inter-regional transfers of income in the U.S. which as yet has no serious counterpart in the EU. That mechanism is the federal budget. It has been estimated that the impact of federal taxation and spending programmes in the U.S. has been to reduce by between a third and a half the income differences which would otherwise exist between richer and poorer states. The budget amounts to nearly 30% of GDP. In the EU the nearest equivalent amounts to about 2% of Union GDP. Although the Structural Funds (the combined funds committed to regional equalisation) doubled from 1987 to 1994 and are scheduled to more than double again by 1999, the overall level of spending can do little to alter inter-regional income differences.

The primary function of a regional policy is to influence the geographical distribution of economic activity and through it the pattern of income distribution as between regions. In this respect it can be described as a structural policy. Its secondary function is to provide a mechanism for adjusting inter-regional balance of payments disequilibria. These two aspects of policy overlap in practice (actions to finance the payments deficit of a deficit region have the effect of underpinning the existing inter-regional distribution of production, population and income) but it is useful to distinguish them in principle.

Broadly speaking, in the U.S. from a structural point of view regional policy is one of non-intervention with the market, allowing market forces to determine the regional distribution of economic resources, although this is modified to some extent by actions of the individual states. As far as the secondary function of regional policy is concerned, however, the U.S. has a highly developed, if scarcely explicit, regional policy based on the pattern of taxation and spending in the Federal budget. The combination of the progressive structure of the federal income tax and spending programmes such as OASDI, Social Security etc., is to transfer income from richer to poorer areas within the U.S. Hence, if a state or a region experiences a drop in demand for its output (and starts to run a payments deficit with the rest of the union) the impact on tax revenues and federal spending acts to offset the income loss, and, therefore, to reduce the labour and capital outflow from the deficit region.

The position in the EU is quite the opposite to that in the U.S., on paper at least. As already pointed out, the equivalent to the federal budget acting to transfer large sums between regions can hardly be said to exist. A partial exception to this is the CAP, which obviously does transfer income. Note, however, that in total the CAP's spending amounts to about 1% of Union GDP; also that it transfers from non-agricultural to agricultural areas, and, while farming areas have lower than average incomes for the most part, this cannot transfer income to regions with, say, a high incidence of declining manufacturing industry. Indeed, to the extent that it causes food prices to be higher than they would otherwise be, the CAP actually transfers income from such areas.

At the structural level, on the other hand, there exists a strong commitment to developing the poorer regions' productive capacity by attracting resources into them so as to generate a level of economic activity in all the regions of the Union which will in turn produce an approximation of levels of income by region.

Regional Policy is a relatively recent development. It was only at the time of the accession of Britain, Ireland and Denmark in the early 1970s that the Community committed itself to the development of a fully articulated regional policy. This reflected the change in the economic profile of the EC with the entry of the three new members, and the requirements of Britain (with major depressed industrial areas) and Ireland (with an income per head half that of the EC average and a disproportionate dependence on agriculture). Added to the problems of France with the underdeveloped south-west and the perennial difficulty of Italy's Mezzogiorno, these constituted an issue requiring Community action. It had become clear to the older members of the EC that the dramatic rise in prosperity overall in the first fifteen years had not "trickled down" sufficiently to their poorer regions. To deal with them and the new members' problems appeared to demand a pro-active rather than a laissez-faire approach to regional development.

The principal mechanism for giving effect to a structural regional policy in the EC is the European Regional Development Fund (ERDF). Financed from the EC budget, the ERDF was initially of relatively little importance. The absolute level of resource transfer was small relative to the task of raising output per head in the poorer regions to a level acceptably close to that in the richer regions. Further, in its initial stages, in the decade up to 1984, it was predominantly reactive rather than pro-active, being in the main confined to helping finance structural projects initiated by the governments of the member states. Thus, it tended to become an extra-budgetary source of funds for governments rather than a mechanism for implementing a single, coherent Community policy to reduce regional imbalances. Finally, for obvious political reasons, the ERDF money was not channelled simply to the poorer regions, but was subject to national quotas, which had the effect of allocating a substantial proportion of the resources to the relatively less well off regions in the richer countries (where income per head frequently exceeded that in the richest regions of the poorer countries).

Half-hearted attempts to improve the operations of regional policy in the late 1970s achieved very little, and the Commission produced a programme for substantial change in 1984-85. This provided for a more flexible quota system which, while on paper permitting all states to maintain (or even improve) their allocations, actually created a discretionary spending allocation for the Commission which enabled it, by choosing between spending projects to be supported, to increase the share of the resources going to the poorer regions.

The question of the adequacy and direction of regional policy came centre stage with the debate over the Single European Act and the "1992" programme to complete the internal market. There were two reasons for this. First, it was clear that, as then operating, the Regional Policy appeared to be achieving very little if anything to reduce the inter-regional income gaps in the EC. Secondly, it was accepted that the fiscal and monetary implications of full economic integration, including fiscal harmonisation and irreversible fixing of the exchange rates between the member states, would substantially reduce the ability of the governments of the poorer countries to pursue policies aimed at encouraging the structural development of their economies necessary for more rapid economic growth.

These factors enabled the poorer countries to obtain a commitment to a substantial expansion of expenditure under EC regional policy as part of the package of measures agreed to in implementing the 1992 programme. Under the general heading of structural spending (which includes some agricultural spending and spending under the European Social Fund, aimed at solving labour market problem, as well as regional funds) the budgetary allocation for the 5 year period to 1993 was doubled to 14 billion ECUs. Under Article 130d of the Single European Act there was also agreed a tighter compartmentalising of structural spending both by functional and geographical areas. Further, the SEA attempts to remedy one of the perennial problems of regional spending: the tendency for governments to use regional funds as a method of financing existing spending plans as opposed to funding new, economically viable projects which are likely to reduce inter-regional economic disparities.

Competition Policy. Given the relatively small budget of the EU, its impact on the performance of the European economy is of necessity heavily dependent on legal intervention to improve the efficiency of resource allocation. The core policy area has turned out to be that of Competition Policy (corresponding fairly closely to what in the U.S. would be described as "anti-trust" policy). In particular, developments since the mid-1980s have resulted in making Competition Policy possibly the most important area of collective decision-making in the EU. This arises from two factors: the decline in the importance of the CAP as a political issue in and the perception of the growing importance of regulation of economic behaviour in the context of increasingly free trade.

Originally, the scope for EC competition policy (as opposed to policies implemented by the individual countries) was quite limited. It was treated under the Rome Treaty as being a matter for collective policy only in so far as it was seen as necessary to act in the area in order to remove actual or potential factors likely to distort trade between the member countries. Its focus, therefore, was on its role as a device to encourage economic integration. In consequence, under the main relevant sections of the Rome Treaty (Articles 85 and 86) the Commission was limited to intervening in the areas of mergers or collusion only if there appeared to be some effects on trade or factor movements between member countries.

Even in this limited form, EC competition policy existed as a price paid by French negotiators during the discussions leading up to the Rome Treaty in conceding to German (U.S. inspired) demands for a liberal trading regime in return for concessions to French agriculture. In practice, however, its scope has been somewhat broader than might have been expected as a result of the limitations imposed by Articles 85 and 86. This is because indirect as well as direct intra-community trade effects can be taken into account in determining whether EU as opposed to member state competition law can be invoked. Secondly, in one respect it is much wider in its implications than national legislation. This refers to the power under the relevant articles to call member governments to account for their interventions in the various economies by way of subsidisation or any other device designed to encourage a country's own industry by giving it a competitive advantage in its exports to other countries of the EU. Finally, EU competition policy can be de facto applied to firms outside the EU by means of regulations governing their behaviour within the EU.

The principal areas of competition law apply to three aspects of economic organisation: *restrictive practices* between firms (including collusion, market sharing, licensing etc.); creation or abuse of *dominant positions* (including mergers and acquisitions, predatory pricing and price discrimination); and *state aids to industries* (including subsidies, preferential purchasing and administrative barriers to competition from non-national firms).

The case for an active EU anti-trust policy of the traditional type has been enhanced by the increasing integration of the member state economies. It is becoming more and more irrelevant to treat industrial concentration, for example, on the basis of a single national economy. By way of illustration, in France today there are only two major auto manufacturers, Peugeot-Citroen and Renault. Thirty years ago there were five. Yet the auto market in France is more rather than less competitive in the 1990s than in the 1960s, as the surviving French firms face imports from Britain, Germany and Italy. It is at the EU level that concentration and abuse of dominant position has to be considered. Further, national governments have by definition little power to influence what goes on outside their borders. If there is a need for policy intervention to deal with some anti-trust problem, it has to be undertaken at a supranational level.

Politically contentious but economically crucial is the extension of competition policy to the area of government intervention. This has become particularly the case during the run up to the completion of the internal market. Governments have sought to ensure a competitive edge for their own industries by means of subsidies, discriminatory purchases and regulatory restrictions.

In the long run, however, and especially in the context of the "1992" program, much more important has been the restriction by the European Court of countries' rights to use technical or consumer protection standards as a means of reducing competition. The landmark case here is known as the *"Cassis de Dijon"* decision of 1978 (described by Hurwitz in this volume). This prohibited the German government from banning the sale of a French alcoholic cordial on the grounds that it did not comply with standards for drinks of this type produced and sold in Germany. Trivial as this case may seem, its importance was in the principle enunciated that if a product passed home country standards it could be sold anywhere unless the country importing it could prove that it materially threatened the welfare of consumers.

The implications of this decision were enormous, going well beyond the issue of competition policy. It did, of course, remove a potent anti-competitive weapon from the member state governments. It could well be said, however, to have laid the foundations for the whole "1992" programme. Without such a decision, full integration would have been dependent on protracted negotiations to achieve common technical and consumer protection standards via harmonisation. Instead it was now possible to proceed on the basis of a requirement of mutual acceptance, which effectively means competitive setting of standards, subject to a final right to appeal to the European Court. This has been codified in the Single European Act.

STATE INTERVENTION IN THE ECONOMY

This blanket heading is used to cover those aspects of EU policy which are best thought of as representing a Union level response to what economists describe as "market failure". This could, of course, include almost any area of economics, but we will concentrate on what appear to be the most important ones. These are the areas of aids to public sector firms, to industry, the labour market and the environment.

Aid to Public Sector Firms and Industry. A classic case of the conflict between competition and state owned firms is the struggle over air-traffic deregulation. The industry has been deregulated in the U.S. since 1980, but is still heavily regulated in Europe, with much higher airfares as a consequence. The principal reason for the regulation is that until recently virtually all European airlines were state owned, and governments used regulation to protect them. Many are now privatized, but France and Spain in particular have bloated and inefficient state owned airlines. The EU Commission is pressing ahead with deregulation, but France, Spain and Ireland have responded by pumping tax money into their airlines to keep them flying while incurring enormous losses, which threatens the viability of privately owned airlines in competitive markets. To deal with this the EU Commission has had to have confrontations with those Governments to limit their investment in state owned firms. Similar disputes have arisen in relation to coal, ship-building, autos and steel.

In the later 1980s a debate on *Industrial Policy* took place in the U.S. The issue was whether the country needed a concerted set of policy instruments designed to increase the productivity and rate of growth of American industry above what was forthcoming from the more or less free play of market forces. This debate was stimulated in the main by a fear that the U.S. was in some sense "falling behind" the EC and Japan. It was also connected to a fear that, particularly in the manufacturing industrial sector, foreign competition was reducing American firms' market share of the domestic market.

There were two basic strands to the arguments in favour of an industrial policy. The first was the assertion that existing fiscal structures, regulatory or administrative arrangements and work practices imposed higher costs or an inability to adapt to changing market conditions on American firms. To offset this, it was argued, positive intervention by government was essential. The second argument centred on issues in strategic investment decision-making linked to the role of government as an arbiter of the international trade regime. In brief, this was based on the view that cooperation between government and industry will bring about better long term investment decisions than the free market is likely to produce. In this, perceptions of the role of Japan's Ministry of International Trade and Industry (MITI) as the orchestrator of Japanese investment were important.

In the end, relatively little happened in the U.S. In the EC the same issues were faced, but the weaker political and emotional commitment to free markets meant that the case for an activist industrial policy was more readily received, particularly under the influence of the President of the Commission from 1986 to 1994, Jacques Delors.

In earlier years EC industrial policy was rather ad hoc. It was concerned with meeting particular problems, such as transport cost improvements, or preventing trade distortion by harmonising and limiting member state aids to industry. The experience of the early 1980s recession led to a reappraisal of the appropriate role for industrial policy in the EC. At a sectoral level, Community involvement in industrial policy had already been on the increase because of the deep problems facing two sectors, steel and synthetic fibres, from the late 1970s onwards. Now the same type of issues being debated in the U.S. began to appear in European publications and political speeches.

The overall response of the Community was to adopt a policy of active intervention, but in the main this was limited to a programme of initiatives aimed at improving the fundamental technological base of European industry. It established the European Research Cooperation Agency (which was extended to non-member European countries), known by the happy acronym, EUREKA. The principal focus of this program has been on the area of high technology aerospace developments. In cooperation with the larger European computer firms, the EC launched ESPRIT, a cooperation program for research in information technology. Similar arrangements covering telecommunications (RACE), basic industrial technologies (BRITE) and thermo-nuclear fusion (JET, for Joint European Torus) were also launched.

In these initiatives the declared objective of the EU is to undertake collectively the kind of resource allocation to R&D which is held to be essential for successful competition with Japanese state aided firms and the flow of knowledge alleged to benefit U.S. firms as a spin-off from the enormous and knowledge intensive American defence budget. Economists are divided on the underlying wisdom of this strategy. Their doubts arise from two sources. The first is the question as to whether it might not be better either to buy technology as and when it becomes available rather than engage in competitive R&D, or at a less extreme level, to cooperate with U.S. and Japanese research programs. The second is the basic question as to whether governments in general are better at picking winners than the market.

Social Policy. There are two reasons for the increasing emphasis in the EU, especially in the 1992 context, on what is known as *Social Policy*. The first of these is rooted in the idea of European Union solidarity and the demands by organised labour for a role in shaping the general direction of Union policy. We have already seen that the EU is committed through regional policy to "share" the gains from integration between geographically distinct areas of the EU. By the same token, and especially in trade union circles, it is felt that the Union should have a policy on sharing economic gains between the economic interest groups. The "code" terminology used here is to talk about the "social wage", by which is meant the quantity and quality of collectively supplied services without payment to the user. These include housing subsidies, health care, subsidised transport and educational opportunities. In addition, historically the EC was seen as paying great attention to the lobbying of industrialists (in the widest sense) so that EC policy was consciously framed with their requirements in mind. Unions, particularly given the political complexion of the Commission during the later 1980s, sought to acquire a similar position in the formulation of Community policy. The obvious vehicle for this purpose was the espousal of "social" issues for priority in policy making.

The second source of interest in a Union labor market policy lay in the implications of full economic integration post 1992. Here there was an ad hoc, if unspoken, alliance between capital and labour in the more advanced regions of the EC, especially Germany and Denmark. Given the differences in wage levels and unit wage costs between the richer and poorer areas, firms and unions in the richer areas looked with misgiving on the removal of all barriers to competition and to movement of labor. To both of them it appeared that living standards would come under threat from low wage labor, as firms in the high wage economies would face declining market shares. Social policy, therefore, appeared as a Godsend. By lobbying for the application on a Community-wide basis of agreed standards on such things as wage rates, social security, discrimination and restrictions on dismissals they would be able to reduce the competitive advantage of the poorer regions while at the same time behaving and talking in a totally "politically correct" manner.

This somewhat cynical view of the basis for pressure for a Union social policy has to be tempered by the fact that there has existed for a long time a body of opinion which held that the EC to justify itself would have to be more than just an area in which free markets determined the allocation of resources. This has manifested itself in initiatives to remedy what were seen as inadequacies in the operation of labor markets. In the early 1980s the Commission proposed a series of measures designed to increase the influence of labor in firm policy decisions in what became known as the *Vredeling Directive*. Intense employer opposition and economic criticism of the details of the proposals resulted in them becoming bogged down in the political process in Brussels and effectively abandoned.

From its origins in 1958 the EC has operated a Social Fund aimed at improving the operations of labor markets. By and large, the main emphasis of the Fund has been to use Community resources to improve labour mobility and skill levels by funding retraining and human capital enhancement programs. In this respect Social Policy has been aligned with regional objectives. Most of the emphasis in spending has been on tackling the problems of labor surplus regions and lower income regions.

Environmental Policy. In common with the U.S. and other countries, the EU has seen a surge in interest in *environmental policy* or "green" issues since the early 1980s. In response to this, and in recognition of the supra-national incidence of environmental problems, the EU has been active since the late 1980s in curbing environmentally detrimental activities. Instances of this are moves to require cars to fit catalytic converters so as to permit the use of lead free fuel, and emission limits being imposed on fossil fuel power stations. These initiatives are hardly novel in themselves. Indeed in large measure they merely replicate what has been happening elsewhere. What is important about them is that they have been taken at Union level. This reflects the need to have EU policies rather than national ones so as to eliminate the possibility of inter-regional competition for investment based on low environmental standards. They are also of obvious importance in the context of what is now known of industrial pollution in Eastern Europe.

The legal basis for the EU's environmental policy is a catch-all clause in Article 2 of the Rome Treaty which enjoins the Community to take action to accelerate the standard of living. This inferred power was made explicit in the Single European Act. The general policy approach of the EU to environmental problems has in principle been very much informed by the economic analysis of negative externalities. This involves recognising that:

> *(i) there is a cost involved in correcting an environmental problem as well as in permitting it to continue; and, (ii) that, contrary to the views of environmentalists, this usually implies an optimal level of pollution in excess of zero, where the marginal cost of the polluting activity is equal to the marginal cost of reducing it.*

Most economic analysts draw the conclusion from this that the correct mechanism to use is pricing, with the polluting activity being taxed so as to discourage emissions. In practice, the EU has tended to opt for regulation, but regulation to reduce rather than to eliminate the pollution. One exception to this has been the requirement that lead-free auto fuel should carry a lower excise tax than leaded.

Bureaucratic preference for regulation, and popular misunderstanding of the incidence of quantitative restrictions" may help explain this policy emphasis. There are, however, other factors. Industrialists object to such curbs. But if they are going to be imposed, quantitative restrictions favour larger, more efficient producers at the expense of smaller ones. The bigger firms usually have more political influence. Whatever the reason, the general thrust of EU environmental policy has been to impose regulatory restrictions, either in the form of environmental quality standards or uniform emission standards.

COMPLETING THE INTERNAL MARKET: FULL ECONOMIC INTEGRATION AND BEYOND

Origins of the "1992" Program. The plans launched for the final integration of the economies of the (then) twelve members of the EC in the mid-1980s have become known as the 1992 programme. Even initially, this title was misleading. First, the target date originally set in 1985 was January 1st, 1993. Secondly, it was clear from the beginning that some of the elements of the programme would be in place before that date, while others would only be implemented over a period of years stretching into the 1990s.

The EC in the early to middle 1980s was generally held to be in the grip of what was described as "Euro-sclerosis". In a world recovering from the recession caused by the second oil shock, the Community was itself beset by substantial problems. Apart from an agreement that Spain and Portugal would be considered for membership, there was little else on which the existing members could agree, and far from moving forward towards a greater degree of integration, domestic economic and political pressures were leading to policy reactions which threatened the existing *"acquis communautaire"*.

It was realised that the budgetary problems of the Community, in the main reflecting the costs of the CAP and the requirements of the proposed new members, would require some radical changes in policies and in particular a relaunching of a higher growth trajectory for the economies of the member states.

In 1985 the Commission produced a "White Paper" outlining a set of proposals for policy to relaunch the EC by setting up an ambitious plan to complete the internal market by the end of 1992. The core of these proposals was the elimination of all remaining restrictions or barriers to the full and free movement of goods, persons services and capital between the member states. In a sense, the intention was to make a common market of the Common Market.

The White Paper contained a list of 300 draft directives designed to achieve the target of a single internal market in the EC by 1993. After debate, the White Paper was accepted as Community policy, and a program for implementation was established. Parallel to the implementation of the 1992 programme as outlined in the White Paper, and clearly necessitated by the commitment to complete the internal market, the EC decided to amend and tighten the original Treaty of Rome. This was done by drafting what became known as the Single European Act, which was required to be adopted into national legislation by the member states.

From an economic point of view the most important changes involved in the SEA were new procedures for collective decision-making (which did away with much of the national veto powers) and the formal adoption of the principle of mutual recognition as opposed to harmonisation which had been established in the Cassis de Dijon case.

1992: Targets and Instruments. Put at its simplest, the aim of the Commission proposals was to eliminate all economic frontiers within the EC. This involved identifying the factors (and their relative importance) which established those frontiers. To do this, and to provide a quantification of the gains from elimination of the remaining barriers to fully free trade in goods and services and free movement of factors of production, the Commission undertook a wide and deep survey of the problem which was the basis of the Cecchini Report published in 1988, to which the Commission's formal response was published in the same year.

The study established that, in descending order of importance, the principal barriers to full economic integration as they affected industry were: (a) technical standards; (b) administrative barriers; (c) frontier delays; (d) freight transport regulations; (e) differences in Value Added Tax; (f) capital market restrictions; (g) discrimination in public sector purchasing decisions; (h) implementation of Community law.

The costs of these barriers were estimated, and the gains from integration thereby calculated. Understandably, the costs (and their counterpart gains) were subject to estimation margins, since they had to be calculated on what the economic universe would look like if the barriers did not exist, a state of affairs which cannot be observed in advance. Given the permutations and combinations of the elements of the post-1992 scenario being calculated, a very wide range of estimated costs/gains is available. In what follows, we offer representative middle range values, which should be treated as establishing the order of magnitude, absolutely and relatively, of the factors concerned, rather than accurate point estimates.

The Impact of "1992". The methodology adopted by the EC to evaluate the impact of 1992 (based on the twelve member states at that time) was first to estimate the costs (in terms of output foregone) of the existing barriers to fully free trade and to presume that these costs would be recouped through the abolition of the barriers. Then it attempted to quantify the increase in output per head which would be likely to flow from the increased efficiency of resource allocation within the Community as a result of the complete opening up of the markets of the member countries. This in turn required the exercise to estimate the importance of scale economies to be reaped through the restructuring of industry across the EC. It also required an estimate of the gains through increased competition between firms in the absence of inter-state barriers.

By removing all barriers to trade it was assumed that the full benefits *(market size effects)* of scale economies can be reaped by existing industries with existing lines of production. In so far as the market size is given, larger scale production implies fewer firms. When this rationalisation is completed, the estimated gain from lower costs of production across the EC economy from technical and non-technical scale economies is about 1.5% of NNP.

Administration cost savings refers to paperwork and frontier delays arising from customs formalities and differences in taxation. Survey evidence suggested that the elimination of these would reduce costs by the equivalent of 0.5% of NNP. There were also *public procurement gains* through competitive and non-discriminatory tendering for supply of goods and services to member sate governments. The cost of meeting these demands would fall by up to 0.8% of NNP. This is an area where it will be difficult, at least in the short run, to be sure that truly competitive market conditions really apply.

A further source of gains was to be seen in *competition effects*. The first among these is *efficiency gains*. It is a common place in economics that the rents associated with diluted competition are not necessarily manifest as firm profits, but can take the form of inefficient production methods and/or unwarranted payments to management or labor. Increased competition tends to reduce or eliminate this excess cost, usually referred to as *X-inefficiency*. The size of the economic gain from the elimination of this excess cost is difficult to estimate accurately. A conservative estimate of this effect would be a gain of about 1% of NNP.

Moreover, there were expected to be *price and output effects*. If the result of eliminating trade barriers is to make markets more competitive, then elementary economic theory tells us that firms will produce more and sell their output at lower prices under a more competitive trading regime. Allowing for some reduction in firm profits, the gain to the economy as a whole can be calculated by reference to the gains to consumers in terms of the increased consumption of goods and services from any given income. The degree to which this will operate in what will still be relatively concentrated markets depends on what is assumed about firms' competitive strategies. If they tend to decide on a price and then sell what the market will bear at that price, the price effects will be less than if they decide on an output level or market share target and then use aggressive pricing to achieve their targets. The latter is generally assumed in EC studies. The level of net economic gain is usually put at between 1% and 2% of NNP.

In total these amount to between 5% and 6% of EC NNP. As in the case of the gains from the initial integration of the six founder members of the EC, this doesn't seem an enormous dividend from the political and economic restructuring which the 1992 programme has involved. While one could add to them gains in output from superior macro-economic demand management policy under an integrated monetary regime, one-time gains of 6% or so of national income, spread over a four to five year period do not amount to much.

Instead of treating these gains as the reason for the 1992 programme being adopted, it seems more plausible to think of it in terms of the analysis at the beginning of this chapter: what would be the alternative? In addition, one can look at the experience of the original members in the decade from 1960 to 1970. The conventional gains from free trade were indeed appropriated, but what was much more important was the impact of the integrating of the markets of the six economies on their capacity growth rates. It seems reasonable to expect that the larger and more competitive post 1992 EU economy will grow more rapidly than the weighted average of the growth rates of the separate economies were integration to be halted.

Implementation Problems: Tax Harmonisation. The single most difficult problem to have faced the member states in drawing up the programme for implementing the Single Market has been the problem of tax harmonisation. The root of the problem lies in the fiscal revenue implications of eliminating all frontier formalities, which had to disappear if the integrated market was to mean anything.

The most obvious problem is the impact on household and firm purchasing decisions of differences in sales tax rates (VAT and excise taxes). Countries with higher taxes would lose sales, employment and tax revenues to countries with lower rates. With different incomes per head, and no federal budget funded by federal taxes, similar levels of government spending per head in the various countries requires different tax rates on incomes, goods, services and assets even if the proportions of taxes raised from the various tax bases was the same across the Union which it is not. Put another way, the same tax rates on the same tax base everywhere in the EU would mean substantial increases in tax revenues relative to government spending in some countries, and reductions in others. These difficulties are compounded by two other factors. First, the economic structures of the various countries are different, which means the tax base characteristics differ between them. Second, for historic and cultural reasons, there are different views on the desirable structure of the tax system across the EU.

Added to this is the problem of administering the VAT system. It was designed on the basis that tax was payable on the final sales value of the commodity or service to the government of the country in which it was finally sold in an amount proportional to the degree to which its final sales value was created in that country. The exporter of a good therefore claimed back any VAT paid on the goods or services used to produce it; the importer paid VAT on its total import price at the rate applying in the importing country. Dealing with this involves a considerable quantity of paperwork and customs formalities.

All these problems would disappear if tax rates were the same everywhere (or so close to being the same that governments could ignore the revenue consequences of the absence of customs barriers, as state governments can, by and large, in the U.S.). Unfortunately, political as well as economic problen made full tax harmonisation virtually impossible in the circur stances prevailing in the run up to 1992. As already observe there were widely divergent views of what an ideal set of tax should look like.

Further, the same taxes everywhere, given different levels income per head and different spending patterns would mea some countries seeing budgetary surpluses emerge while othe would experience deficits unless government spending wa adjusted along with the changes in tax structures. While th German and British Governments (under Chancellor Kohl ar Mrs. Thatcher) and the EC Commission might have accepte with enthusiasm any spending cuts required, the same was n true elsewhere, (or later, when Mrs T. left the scene). Pressure maintain high levels of spending, especially in France, Irelar and Denmark, based on a set of very high indirect taxes on sp cific commodities, meant that these countries opposed moves reduce these taxes to a lower common standard. The British, addition, were opposed to a policy of obligatory harmonisatio and preferred to allow market forces to bring about an alignme in tax rates through government reaction to revenue gains ar losses.

As a result, a set of compromises was reached during 19 and 1992. It was agreed that the standard VAT rate should be s at a minimum 15%, with individual countries being free to rai it above that if the wished. Excises on alcohol, tobacco and petr leum would be brought closer together, with low minimum rat being applied across the Community. Excises on cars would equalised, but high car tax countries (Denmark and Irelanc could impose a stiff first ownership registration fee. Some der gations, temporary in principle, would be permitted to the ru that consumers could source their purchases anywhere in tl EC. VAT would continue for a period of years to be chargeab on the destination of sale rather than the source of output basi requiring a new set of non-frontier based administrative mech nisms.

The pessimistic interpretation of this is that it illustrates th inability of the EU with its present decision making methods take and impose tough decisions, and foreshadows a continue paralysis in the future as well as a continued failure to achieve real common market. Optimists, however, see the 1991/92 con promises as a holding operation. The stresses it will set up w lead to further agreement on harmonisation, while a breathin space has been given to member states to get their fiscal hous in order to accommodate an EU wide set of common taxes.

ECONOMIC AND MONETARY UNION

The final stage of economic integration involves the mov from a single market to a full economic and monetary union. I this is meant that there exists a single set of macroeconomic po cies and what amounts to a single currency. It is possible to hav an EMU without a perfectly integrated single market. The U. for example still displays some vestiges of barriers to a sing market (for example, restrictions on interstate banking, or sta government discrimination in favour of purchases from loc suppliers). It is possible to have a monetary union without a economic union or a common market. The countries of what ha been French West Africa used a single currency, effectively ma aged by the Banque de France, the CFA franc, for over a gener tion after independence. There was a monetary union betwe the UK and Ireland from 1922 to 1978.

The reverse, however, is not the case: the high degree integration involved in a genuine common market cannot be su tained for long without an economic union, and an econom union is difficult to envisage without a monetary union. Th has been recognised in the case of the EU since the middle 196 and a variety of ambitious plans were produced to secure EM none of which was fully implemented.

The Requirements for Monetary Integration. Monetary integration implies the existence of a single currency as in the case of the U.S. with the dollar. De facto, it can permit the continued existence of separate nominal currencies, although with "irrevocably" fixed exchange rates. The supply of the separate token currencies would, however, have to be determined by a collective central banking authority (like the Federal Reserve Board) if the fixed exchange rates were to have credibility in terms of irrevocability. When this is not the case, experience has shown that monetary unions break down.[24]

The necessary condition for a union in the absence of a collective central bank would be a set of policies sufficient to guarantee an absolutely fixed set of exchange rates. In effect, this means a set of instruments which will always equate supply and demand for the union's currencies in terms of each other on foreign exchange markets. Given that restrictions on capital flows are not permitted, and that there is unfettered free trade in goods and services, this boils down to saying that the union's various central banks have to use monetary policy to ensure a harmonised growth of the various money supplies so that neither excess supply nor excess demand for any currency emerges. This obviously implies coordinating monetary policies, which is virtually the same as having a single monetary policy, which brings us back full circle to a single collective monetary authority.

Coordinated (or an integrated) monetary policy in turn imposes restrictions on member countries' macroeconomic fiscal policies. The growth of public spending and the size of the budget deficit (if any) has to be subject to the exchange rate discipline, since in general there is a linkage between deficit finance and the growth rate of the money supply. In effect, the monetary union, if it is to survive, can only do so if it severely restricts the ability of the member states to operate separate macroeconomic fiscal policies; in the limiting case it requires a single, coordinated fiscal policy stance for the union as a whole. This means a substantial diminution of policy autonomy and, with it, political sovereignty.

When these arguments are viewed in reverse, some of the problems facing the EU in moving to EMU become apparent. To start, consider the question of differences in inflation rates. It is apparent that since inflation can be defined as the rate of decline in the purchasing power of money, there can only (in anything other than the very short run) be one inflation rate in a single monetary area. It follows from this that if countries with different inflation rates enter a regime of fixed exchange rates or a monetary union, their inflation rates must converge somehow. In the case of the EU, given Germany's economic weight and the policies she pursues, this effectively means that everyone else's inflation rate must converge on Germany's. Unfortunately, experience has shown that reducing inflation (especially by a large amount and rapidly) has a high output and employment cost. Hence, it is widely felt in Europe that countries can only hope to enter a fixed exchange rate regime anchored on the D-mark when they have got their own houses in order first by having pursued domestic policies to get inflation down as painlessly as possible (which really means slowly).

Moving to the composition of public spending and taxation, the discipline of EMU is seen to restrict the level of deficit finance, which, in turn, given the growth rate of the economy and the structure of taxes, imposes restrictions on the growth of spending programmes. We saw in the last section that removing fiscal frontiers to trade involves accepting severe limits to the degree to which tax rates on commodities or services can vary between jurisdictions, a fact of life well known to American state legislators. Together, these factors mean that EMU not only implies overall macroeconomic coordination, but will inevitably reduce substantially the power of member countries to pursue separate microeconomic policies in so far as these are dependent on tax revenues.

To summarise simply, EMU involves policy harmonisation at the macro and micro levels, and this involves pooling (or sharing or diluting—choose your terminology) a substantial amount of political sovereignty.

The EMS and the ECU. In 1978 and 1979 the first substantial monetary initiatives in the direction of Economic and Monetary Union were undertaken. At the meeting of heads of government in Bremen in July, 1978, it was decided to introduce a mechanism to link the exchange rates of the currencies of the (then) nine member countries. The UK declined to be involved in this experiment, and in the early Spring of 1979 the other eight countries implemented what is known as the European Monetary System.[25]

The EMS is an exchange rate grid. By this is meant that the central banks of the member countries are obliged to maintain the value of their respective currencies (by buying and selling it on the foreign exchange market) within a range defined in terms of a composite currency unit (a basket of currencies), the European Currency Unit, or ECU.[26] The ECU is composed of member states' currencies in proportions reflecting the shares of the various countries in EU GNP and trade. A single ECU (in 1993, that is before enlargement), worth approximately $1.17, was made up of (in percent terms):

German Mark:	32.02	*Spanish Peseta:*	4.46	*French Franc:*	20.37
Danish Krone:	2.66	*British Pound:*	11.16	*Irish Pound:*	1.06
Dutch Guilder:	10.01	*Portugese Escudo:*	0.72	*Italian Lira:*	8.47
Greek Drachma:	0.54	*Belgian Franc:*	8.21	*Luxembourg Franc:*	0.32

From March, 1979, the countries participating in the EMS undertook to maintain their exchange rates with each other within a band of +/- 2.25% of their central rate against the ECU (Italy in 1979 , Spain in 1989 and Britain in 1990 opted for a +/- 6% band commitment). In essence, the EMS introduced a regime of quasi-fixed exchange rates between the participating currencies. That this would impose adjustment costs[27] on the higher inflation countries was recognised, and to permit some leeway to them in terms of the speed of their adjustment to the exchange rate discipline, the EMS provided for the possibility of periodic collectively (rather than unilaterally) renegotiated central rates. In the first couple of years these adjustments were fairly frequent, at intervals of six to nine months. By the late 1980s and early 1990s, the inflation adjustment process had proceeded so far that there elapsed periods of two to four years between exchange rate adjustments.

The system fell apart between 1992 and 1994. The basic cause was the inability of member countries to accept the discipline of macroeconomic harmonization, but it was exacerbated by other factors. The German decision to finance reunification by expanding its budget deficit was a key factor. It sent interest rates up in Germany as the Bundesbank sought to hold down inflation by curbing the growth of the German money supply. This in turn meant that capital flowed into Germany from the other EMS countries, especially France and Britain, both of which were in mild recessions. This put upwards pressure on interest rates in those countries, which was deflationary, unless they were prepared to see the exchange rate for their currencies against the D-mark move down below the EMS band limits. It also drove the value of all the EMS currencies up relative to the dollar, which posed severe problems for Britain, since it exported more to the U.S. than most other EU countries.

In 1990, at the Maastricht summit, it was agreed to go ahead with monetary union, with 1997 as the target date. In recognition of the problems identified here, it was agreed (under pressure from the Germans, who refused to abandon the D-mark in favour of an inflation-prone common currency) that for countries to enter the monetary union they would have to meet what became known as the "Maastricht requirements". These covered the maximum permissible level of budget deficit, the ratio of

Government debt to GDP and inflation. They were of such stringency that by 1995 it was clear that few of the EU states would be able to enter such a union in 1997. At the same time, Britain decided that it did not want to enter such an arrangement in 1997, if ever. Consequently, the date for implementation of the exchange rate fixity which would be the first step to monetary union was postponed to 1999.

Given the present situation on the foreign exchange front, and the absence of any developments suggesting a greater ability to achieve macroeconomic discipline than seen since 1989, it appears in mid-1995 to be rather unlikely that even this delayed implementation deadline will be met. What is possible, even probable, is that an inner core (Germany, Netherlands, Austria, possibly France and Belgium) will decide to go ahead with a programme of unification around the turn of the century, leaving adherence of the other EU states to the future as and when conditions appear appropriate. This, it must be said, may pose a threat to the longer term cohesion of the EU as a whole, with a schism emerging between the policies and goals of the inner core and the remaining states.

EMU and Fiscal Federalism. It has long been recognised that monetary unification both requires and implies a substantial degree of fiscal loss of autonomy. That in turn, as already indicated, means that the EU will have to choose between executing some fiscal functions at a collective level and the alternative, which is to see them disappear. This focuses attention on the EU "federal" budget, the expenditure undertaken by the Commission and the resources raised to finance it.

This raises issues of policy at two levels. First, there is the question of which types of expenditure function of government might best (from an efficiency standpoint) be assigned to the "federal" level of government and which to the "states". Secondly, there is the problem of the adequacy of the size of the "federal" budget to achieve the targets of resource transfer and income adjustment as between regions ("states") of the economic union.

First of all, it is obvious that in the long run the programme areas and the level of spending are limited by the taxation resources available. In this respect the EU has moved through two phases into a third. Initially, the resources at the disposal of the Commission were determined by the member states by annual negotiation, and then were ceded to the Commission by the sovereign parliaments of the member states. The contributions were supposed to reflect the relative economic strength of the member countries. In 1970 the EC decided to move to a system of "own resources" whereby the Commission would have as of right access to funds, irrespective of the views of national governments. Under this new dispensation, the Commission would receive money from three sources: (a) the revenues from the Common External Tariff; (b) certain agricultural levies; (c) a (small) proportion of the VAT revenues of the member states.[7] As long ago as 1977 a report of a study commissioned by the EC to examine this problem, the MacDougald Report, demonstrated that in order even to start to perform the macroeconomic and inter-regional adjustment functions being carried out by the American Federal budget, the EC Commission budget would have to amount to between 7.5% and 10% of Community GDP, that is, to be five to seven times as large in proportion to the economy of the EU as it is today.

The foregoing arguments suggest that there is a strong efficiency case for transferring some functions at present carried out at national level to the Brussels supra-national level. Instances would be industrial development policy and, perhaps, social welfare policy. It is also obvious that if a pro-active macroeconomic policy is desirable in the EU that it can only be executed at a supra-national level in a regime of fixed exchange rates or monetary unification. To achieve either explicitly would involve a much increased EU Commission budget, which in turn would involve supra-national taxation powers. These seem implausible. Does that mean the EU must reconcile itself to an economic equivalent to a power vacuum?

Probably yes, if we think in terms of institutions and explicit arrangements. There is, however, an alternative approach to the problem, and the political realities suggest that this is the way the EU is likely to develop in the medium term. That is to rely on closely negotiated policy harmonisation and a degree of commonality of legal and political instruments. Instead of establishing a central governmental organisation with the taxing and spending powers to implement a unified set of economic policies, the member states will agree on policies by collective negotiation and then implement them at a national level.

There are two problems with this approach. The first is that by definition it restricts any federal level resource redistribution between countries or regions to the existing regional policy. That is inadequate for its purposes as we have already seen. The second is that with the expansion of membership of the EU, the process of policy negotiation is likely to become more difficult and drawn out, with the result that the absence of a separate federal layer of government is going to become more and more of a problem.

Endnotes

1. This is a probabilistic rather than absolute conclusion, since of necessity it depends on calculations based on suppositions as to what the world would have looked like had the EC not been established.

2. The point to be stressed here is *comparative* advantage: a country will maximise the real income it can earn from its resources if it specialises in producing those things in which its *margin of cost advantage* is highest relative to other countries (or its margin of cost disadvantage is lowest). Even if in principle a country could produce any commodity more cheaply than any other country (unlikely), it would still gain by concentrating on production of goods where its advantage is highest, and importing the other goods from its trading partners. By definition, the latter would be exporting those goods in which their cost disadvantages were lowest. This concept, which may seem to be counter-intuitive, is easily understood when we realise that it is the basis of any rational career choice by an individual, who "exports" the product of his/her labour and "imports" goods for own consumption.

3. This an idea going back to Adam Smith and David Ricardo, writing in the late eighteenth and early nineteenth centuries.

4. This idea underlies most of the theoretical trade economics literature of the twentieth century and is generally referred to as the Heckscher-Ohlin account of comparative advantage and trade, after the two Swedish economists who were first responsible for articulating it.

5. The conditions under which the "Factor-Price Equalisation Theorem" is strictly true are quite restrictive. They can be found in any intermediate trade theory textbook. They include assumptions on returns to scale, transport costs and incomplete specialisation in production which are unlikely to be met in real life. Nevertheless, as a statement of a general tendency in the impact of trade on factor rewards, the FPE theorem is important. This is particularly the case because it focuses our attention on those aspects of the real world which prevent trade from ironing out inter-regional differences in factor incomes.

6. There are such problems in France with a million or more Arab immigrants from North Africa, and in Germany where there is a Turkish low wage community, and in Britain (West Indian and Indian and Pakistani communities). They do not constitute the endemic kind of problem facing U.S. policy makers. The "under-class" dimension is much less in evidence, and the bitter historical roots of the problem are absent.

7. The Maastricht summit was forced to recognise that there are limits to the degree to which harmonisation can be achieved. Where taxes were concerned, it proved impossible to get agreement on a common set of indirect taxes. The Union was obliged to settle for an agreement on a range of tax tares, and to allow market forces to produce any further alignment of tax rates.

8. While to some extent this proved to be a problem on the mainland of Europe, its most serious manifestations were to be found in the frontier zone between the Republic of Ireland and the province of Northern Ireland, a part of the UK. This arose from the economic importance of agriculture in both parts of Ireland. It became a lucrative source of revenue for the I.R.A., the terrorist organisation seeking to unite Ireland, which moved in to provide "protection" to smugglers, and to get involved directly in smuggling. An estimate of the scale of the problem in this case has been provided by Norton (1986).

9. A notable exception is Denmark, one of the richest regions of the EU and a net recipient of CAP spending.

10. This expansion of the Regional Fund was confirmed at the Maastricht summit, where a commitment to such an initiative was extracted by the poorer countries as part of a bargaining position adopted in relation to moving to a single currency before the end of the decade.

11. Delors, a former Prime Minister of France and close ally of President Francois Mitterand, was a committed centre-left socialist, and as such a strong believer in the need for state intervention to improve economic performance. The record of the French economy under his stewardship in the early 1980s does not seem to have diminished his enthusiasm for a hands-on approach to the role of government in the economy.

12. Hans Vredeling was the Commissioner responsible for Social Policy who introduced the proposals.

13. In Ireland extensive use of bituminous coal as a domestic heating fuel exacerbated serious atmospheric pollution in Dublin during episodes of thermal inversion in winter, which were quite frequent. To reduce this problem, which was in breach of EC environmental standards as well as arousing political criticism locally, the Government banned the sale of such fuel from October to March from 1990 on. Alternative solid fuels, more costly to use, were forced on households. To the suggestion that a tax be put on coal to make it more expensive, the response was that this would be unfair, since the better off households could afford to burn coal, while poorer ones could not. The fact that a prohibition is effectively an infinitely high tax was lost on public opinion.

14. A case in point in the U.S. is the differential impact of the fleet mileage requirements imposed as a conservation measure by Congress on U.S. auto producers in the 1970s. This affected the smaller producers (Chrysler, AMC) more than GM. It also played a considerable part in the success of Japanese producers in penetrating U.S. markets. Why did Congress not just slap a severe tax on gasoline?

15. This term is difficult to translate exactly into English. Broadly, it means is what has been achieved by way of community collective action, and includes policies, institutions and programs, as well as the degree of economic and political integration which has flowed from these.

16. A White Paper is a term used to describe an official policy document submitted by the executive to the legislature in Westminster type systems outlining the Government's perception of the issues in question and the steps it proposes to take to deal with them; a Green paper is a more tentative, discussion document to provoke debate. These terms have been taken over by the Commission and Council of Ministers.

17. Emerson et al. 1988; see suggested further reading at the end of this chapter.

18. Differences in tax rates between countries under the existing VAT arrangements meant that goods being exported received a rebate of VAT already paid during their production in the exporting country, and then were subject to VAT in the hands of the importer under the tax rates obtaining in the importing country. This obviously involves a fair amount of paperwork, as well as surveillance to prevent fraud.

19. This is one of the most difficult theoretical parts of the exercise. The problem lies in the manner in which firms are assumed to compete in markets where there are only a few large firms (e.g., automobiles), and each firm's competitive strategy will reflect its knowledge or assumptions about the others' responses. The two basic strategic decisions to be made are on price or on quantity. If firms effectively decide on a price, and then see what they can sell, this is said to be Bertrand competition; if they decide on quantity, it is said to be Cournot competition (Bertrand and Cournot being the names of French economists who wrote on this problem in the nineteenth century). In general, the gains from liberalisation are likely to be higher under Cournot competition, as prices are likely to fall and output to rise to a greater degree. Publicised EC estimates are based on the Cournot assumption.

20. EC economic statistics tend to use Net National Product (NNP) rather than Gross National Product (GNP) as in the U.S. The difference between the two is the subtraction of depreciation from GNP to get NNP.

21. The term was coined by an American economist, Harvey Leibenstein, in a seminal article in the American Economic Review in 1966.

22. For example, what Americans have recently taken to calling "sin" taxes are very low in the southern tier of the EU, while the British, Irish and Danes, particularly, being more puritanical, masochistically tax heavily things they enjoy on the odd grounds that they are "luxuries". *De gustibus non est disputandum.*

23. This is because fluctuating exchange rates impose costs on traders, and give governments an opportunity to manipulate exchange rates to favour domestic producers.

24. Two examples are the break in the monetary union between the UK and Ireland in 1979 after the establishment of the European Monetary System, and the collapse of the East African Monetary Union in the late 1960s (Kenya, Uganda and Tanganyika, later Tanzania, inherited a single currency, the East African Shilling, from Britain on attaining independence). In the latter case, political developments plus the ability of each country's central bank to issue currency soon led to the collapse of the currency union. The opposite case is the Belgium-Luxembourg union in which, although there is a Luxembourg token currency, the overall money supply is effectively determined by the Belgian central bank.

25. To be precise, the eight countries agreed to operate the Exchange Rate Mechanism of the EMS, while the UK, officially a member of the EMS, remained outside the ERM.

26. The ECU has superseded the basket unit traditionally used for accounting purposes in the EU, the European Unit of Account (EUA). The term, ECU, by happy accident coincides

with an old French currency denomination, the ecu, and as a result, in a gesture towards French sensibilities, the term, Ecu, pronounced in French, has been adopted as the name for the EU's unit of currency.

27. "Adjustment costs" is an economic euphemism for lost output and higher unemployment. Experience of the 1980s has led economists to accept that it seems virtually impossible in practice to achieve a reduction in inflation without lower levels of economic activity.

28. This was based on a fixed percentage across all members of the VAT revenues raised subject to two qualifications: (i) the base was the level of revenue which would have been raised if VAT had been levied on a common range of goods and services, regardless of whether it actually was so levied. This led to a small variance as between countries as to the proportion of actual VAT revenue passed on to Brussels; (ii) the amount could not exceed 1% of VAT revenues so calculated without further negotiations.

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Chapter 6

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EUROPEAN POLITICAL TRANSFORMATION AND THE FUTURE OF EUROPE

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Leon Hurwitz

Chapter 6

European Political Transformation and the Future of Europe

Leon Hurwitz

CONCEPTUAL APPROACHES TO POLITICAL UNIFICATION

A review of the literature on the theoretical aspects of political unification, international integration and community-building, as well as a review of the literature specific to the European Union, produces three major categories or perceptual approaches to the study of political unification. These three conceptual approaches or levels of analysis are: (1) integration at the individual (or groups of individuals) attitudinal level; (2) integration at society's level; and (3) integration at the level of formal governmental behavior and collective decision-making. But it is necessary to also comment that, as Leon Lindberg has written, international integration or political unification is a multi-faceted, societal attribute requiring multi-variate measurement (1970, 649-731). These three categories are not mono-measures; they are only convenient analytical devices with which to organize the voluminous and rapidly expanding literature on the European Union. Practically all the writings on the theoretical aspects of supranational integration and political unification agree that "integration" or "unification" is indeed a multi-dimensional concept which goes beyond any one individual attribute.

Integration at the Attitudinal Level. The first general category or approach to the study of European unification is seen to be integration at the attitudinal level of the individual or of groups of individuals. Briefly stated, this approach seeks to identify and examine what people think about the process of unification and their views on the current status of such unification. Studies in this area have dealt with mass public opinion; attitudes of the business, political, social, and military elites; and the views of the mass media, especially the international elite press. An excellent source of information about the European population's attitudes toward the entire process and status of European Union unification is the European Commission-produced *Eurobarometer*. This publication appears twice a year in two volumes each: Volume I reports on the results of mass public opinion polling throughout the European Union and Volume II contains the results of questions asked since 1974—the evolution of the attitudes of the public over time ("trend questions").

Integration at Society's Level. The second level of analysis or conceptual approach to political unification is seen to be integration at society's level (non-governmental). Two general approaches are taken at this level: (1) transaction flow analysis and (2) the linkages of non-governmental organizations. Transaction flow analysis—and there are several empirical procedures or models employed—involves the exchange of goods, services, people, capital, ideas (virtually any kind of measurable, transferable commodity) in order to measure the degree of unification already achieved and/or to comment about the degree of unification "potential" between or among sets of countries. Transaction flow analyses on the European Union have dealt with tourist traffic, labor flows, capital markets, "foreign" students, information flows (mail, book translations, telephone calls), trade and other economic transactions, business collaboration and mergers, and cultural exchanges. Transaction flow analysis is not, however, the only methodology used within this second general conceptual approach to political unification. The activities and linkages of non-governmental organizations such as trade unions, interest groups, and political parties are also often used to note the nature of political unification at society's level. These studies are usually descriptive and narrative and, although not written in the quantitative and empirical mold of transaction flow analyses, they still present very valuable and useful contributions to the study of political unification.

Integration at the Governmental Level. The third analytical approach to political unification concerns integration at the governmental level and the formal, structural processes of integration. This perspective is not concerned primarily with what people think about unification or the degree to which societies may or may not be linked along several attributes. Rather, this approach deals with formal inter-governmental contacts, common participation in international organizations and institutions, and collective decision-making with common policies applicable to all members of the group. Formal collective decision-making can be both "internal" collective decision-making—policies that are common or harmonized in relation to the member states of the European Union—and "external" collective decision-making—the extent to which the European Union as an institution can coordinate external (foreign) behavior and form a consensus on foreign policy questions.

COMPLETION OF THE EUROPEAN UNION'S INTERNAL MARKET

As the European Union continues the process of integration, with both existing and new members, and in ever increasing areas of purview, it is important to understand the obstacles and opportunities involved. The difficulties in implementing the single internal market help illuminate the tasks in attitudinal, societal, and governmental integration.

The Treaty of Rome that established the European Economic Community in 1957 assumed that the economic, political, and social unification of the Community's member states would be based on one large, integrated single internal market. But by the mid-1980s—30 years after the Treaty of Rome was signed and despite progress in certain areas within the Community—this integrated, single internal market had yet to be achieved. In 1985, the European Council (the Heads of State or Government of the EC's member states) decided that this internal market should be completed by December 31, 1992. This section discusses the background of the Single European Act (the Act which began the process toward the completion of the internal market), and the objectives of the internal market.

Background on the Single European Act and the Internal Market. On June 14, 1985, the Commission of the European Community transmitted to the European Council its now-famous White Paper titled "Completing the Internal Market." This document envisaged the completion of the internal market by December 31, 1992 and outlined approximately 290 regulations and directives that had to be passed by the European Community institutions (the Commission, Council of Ministers, and the European Parliament) and then implemented by the national political processes in each of the twelve member states before the single market could be achieved.

In brief, the White Paper called for the eventual abolition of all physical, technical, legal, fiscal, and social obstacles or barriers to full free trade and movement of people, goods, services, and capital. The existing physical controls, both bureaucratic and physical, at the EC's internal borders were to be progressively eased and then eliminated altogether; these controls would then be shifted to the Community's external borders. Parallel developments include the adoption of EC-wide harmonized public policies in certain areas and the increased reliance on the full faith and credit-mutual recognition clauses of the various EC treaties. This 1985 White Paper resulted in the signing, on February 26, 1986, of the Single European Act (SEA) which entered into force on July 1, 1987.

The Single European Act was a frontal assault on the remaining areas of fragmentation and non-transnational cooperation within the European Community, and was especially directed at the elimination of barriers to the totally free movement of people, goods, services, and capital. Although the EC has made tremendous strides in supranational integration since the European Coal and Steel Community began operation in 1952, the Community had still not yet made effective and efficient use of its collective resources. The costs of this "non-Europe"—both financial and psychological costs—were staggering.

A Commission-sponsored study, led by Paolo Cecchini (1988), concluded that the total potential gain to the Community as a whole from the completion of the single unified market would be approximately ECU (European Currency Unit) 200 billion (expressed in 1988 prices). This ECU 200 billion would add approximately 5 percent to the Community's gross domestic product. Cecchini's calculations include not only the savings due to the removal of the barriers which directly impinged on intra-EC trade (especially the technical formalities at the internal borders and the related delays), but also the real benefits to be gained from removing the obstacles which hinder entry to different national markets and the free play of competition within the Community.

Cecchini's study also predicted that the total integration of the EC market would deflate real consumer prices by an average of 6 percent while, concurrently, increasing output and living standards. Depending upon the specific macro-economic policies adopted, it was estimated that a minimum of two million—and a possible five million—new jobs would be created over the medium-term. The single market would also produce economies in public sector costs equivalent to 2.2 percent of the gross domestic product (GDP) and increase the EC's trade with other countries by approximately 1 percent of the GDP.

The direct costs of border formalities, including the related administrative costs for both the private and public sectors, were estimated to be 1.8 percent of the total value of goods traded within the entire Community. This 1.8 percent was increased by adding the costs to industry of other identifiable barriers to a complete unified internal market, including the differing national technical regulations governing the manufacture and marketing of products. This latter figure was estimated to average approximately 1.7 percent of companies' total costs. The combined total of these savings thus represented an estimated 3.5 percent of industrial value-added amounts.

Finally, the Cecchini study identified substantial unexploited economies of scale in European industry within a unified market of some 320 million consumers. It was estimated that about one-third of the EC's industrial sector could profit from cost reductions ranging from 1 to 7 percent, depending upon the specific sector concerned. The aggregate cost savings from improved economies of scale was estimated to be around 2 percent of gross domestic product across the European Community.

The above-cited estimated financial costs and savings are, however, only part of the story—there were psychological costs as well resulting from a fragmented "non-Europe." These "costs" were related to the ever-present physical barriers across the European Community. As the White Paper stated, the most obvious example of these physical barriers were the border-crossing posts—the customs and immigration controls, passport and identity verifications, and the not unheard of time-consuming and demeaning search of personal belongings and body. Although the vast majority of these border controls, especially on the roads, but less so if one crosses a border by train or arrives at an airport, were perfunctory spot checks, they nonetheless still represented an arbitrary administrative power over individuals and they were most definitely inconsistent with the principle of free movement within a single Community. To the ordinary European citizen, these controls remained an obvious manifestation of the continued divisions within the European Community.

Objective: The Free Movement of People, Goods, Services, and Capital. Five hundred years after the Europeans discovered and began to form a "new world" in America, they have set out to re-organize their "old world" at home. The completion of the internal market continues to be a major undertaking. As noted above, the objectives of the internal market entail the eventual abolition of all physical, technical, legal, fiscal, and societal obstacles or barriers to the full free trade and movement of people, goods, services, and capital—the internal borders would disappear. The following sections present some of the envisaged results of the internal market's completion.

European Union nationals and foreign tourists would no longer be subject to checks at the borders between the member states, but would be able to move freely within the Union. Increased cooperation among the government departments responsible for dealing with drug trafficking and terrorism could make this possible. Students would be free to choose their university and would be able to study in more than one member state. Their degrees and diplomas would be recognized throughout the Union. Workers, employees, and the self-employed—mechanics and accountants, teachers and researchers, doctors and architects—would be able to work in the member state of their choice, on the same terms and same chances of success as nationals of the country in question.

Goods would move freely throughout the Union and would not be delayed since the traditional borders would disappear. Producers would have access to a market of 370 million consumers. The harmonization or mutual acceptance of technical standards and production techniques would result in the disappearance of technical barriers to trade. Economies of scale would enable manufacturers to be more efficient regarding research and development, and would be able to offer consumers a wider range of better and cheaper products. The health and safety of consumers would be safeguarded even more than at present, thanks to the harmonization or mutual acceptance of national laws and regulations. Companies as well as individuals would enjoy considerably greater ease to start businesses in the Union.

Companies would be able to offer their services throughout the Union while consumers would be free to choose the best offer at the best price. The airline companies would operate more flights to more destinations with lower fares. Road transportation would be organized so as to allow a more rational use of the Union's fleet of trucks. There would be less paperwork, lower costs, more competition, and increased safety. The range of telecommunication products and services would be highly diversified. They would be based on the latest technologies, due to a better utilization of the results of scientific research. European television without frontiers would offer a larger number of channels, programs, and services due to more satellites and the introduction of new technologies.

The liberalization of capital movements and of financial services would make possible the freedom to choose in a large number of fields, including banking, savings and investments, mortgages, leasing, and insurance. Pending the development of the ECU as a single currency, Union citizens would be able to travel throughout the Union with the currency of their choice without restrictions. Individuals as well as companies would be able to transfer funds freely in all the member states. Everyone would be free to save or invest anyplace in the Union.

Implementation of the SEA and Completion of the Internal Market. In order to complete the internal market, approximately 290 directives and regulations first had to be agreed to by the EC institutions (the Commission, the Council of Ministers [called the Council of the European Union since the Maastricht Treaty], and the European Parliament) and then for many (but not all) of these decisions, the national parliaments in each of the EC's twelve member states had to "transpose" or "translate" them into national legislation. The following section deals with this implementation process.

The Single European Act significantly changed the decision-making and implementation processes within the European Community (which, as we shall see shortly, has changed again under the Maastricht Treaty). Although there are still many areas in which the Council must vote unanimously (e.g., the admission of new member states, appointment of the members of the Commission, taxation), the Single European Act called for "qualified majority voting" in the Council of Ministers on all issues related to the completion of the internal market:

> *The Council shall, acting by a qualified majority on a proposal from the Commission in cooperation with the European Parliament and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in member states which have as their object the establishment and functioning of the internal market.*

Under the SEA, of the several types of decisions taken by the Council of Ministers (regulations, directives, decisions, recommendations, and opinions), only regulations and directives were relevant to the implementation process. *Regulations* are totally binding on all member states without having to be "translated" or "transposed" by the national parliaments—this type of decision is the strongest within EC legal practice and the national governments are legally bound by the several treaties to apply the regulation without delay or change. *Directives* are also binding on all the member states, but only to the directive's objectives or goals—each member state's government has the obligation to determine the best way to achieve these objectives. The process of "transposing" or "translating" the directives into national legislation was thus required. The vast majority of the 290 required measures related to the completion of the internal market were directives, requiring each of the twelve member state governments to pass legislation to achieve the objectives of the directive.

Procedures under the SEA. The Single European Act also provided for two different ways to adopt the various directives and regulations: (1) the "consultation" procedure and (2) the "cooperation" procedure. It is instructive to examine these since they represented major changes in the Communities' decision-making apparatus and were precursors of the changed procedures under the Treaty of European Union.

With the consultation procedure, the Commission made its proposal to the Council of Ministers; the Council then requested an opinion from the European Parliament and, usually, also from the Economic and Social Committee; the Commission had the opportunity to amend its original proposal in light of what the Parliament and the Economic and Social Committee had to say; the Council of Ministers then could adopt, amend, or table the proposal; if adopted and it is a regulation, it generally was effective twenty days after publication in the EC's *Official Journal*; if the proposal were a directive, it then had to be implemented by the twelve member states.

The cooperation procedure is a bit more complex and gave the European Parliament a greater role: the Commission made a proposal to the Council of Ministers; the Council requested opinions from the Parliament and from the Economic and Social Committee; the Council, after receiving these opinions, adopted a common position by the qualified majority voting process; this common position was then sent back to the Parliament and Parliament then had three months to accept, reject, or to propose amendments; if the Parliament did not accept the Council's common position, the Commission could amend the proposal; the proposal was then returned to the Council for a final decision (either a regulation or a directive). Figure 1 contains a schematic diagram of these two implementation procedures.

As one might imagine, an undertaking of this scale was not without its problems. For instance, as of December 31, 1991, approximately seventy "infringement proceedings" were being pursued by the Commission. These proceedings concerned various member states' refusals to implement fully the directives in certain areas and where the Commission has successfully filed suit against the member state in the European Court of Justice for full compliance. All twelve member states have had "infringement proceedings" brought against them although the number varies. These infringement proceedings typically deal with quite technical content areas (e.g., excise duties on rum [Italy] and specification for inland waterway vessels [Belgium]).

IMPLICATIONS OF UNIFICATION FOR THE INDIVIDUAL

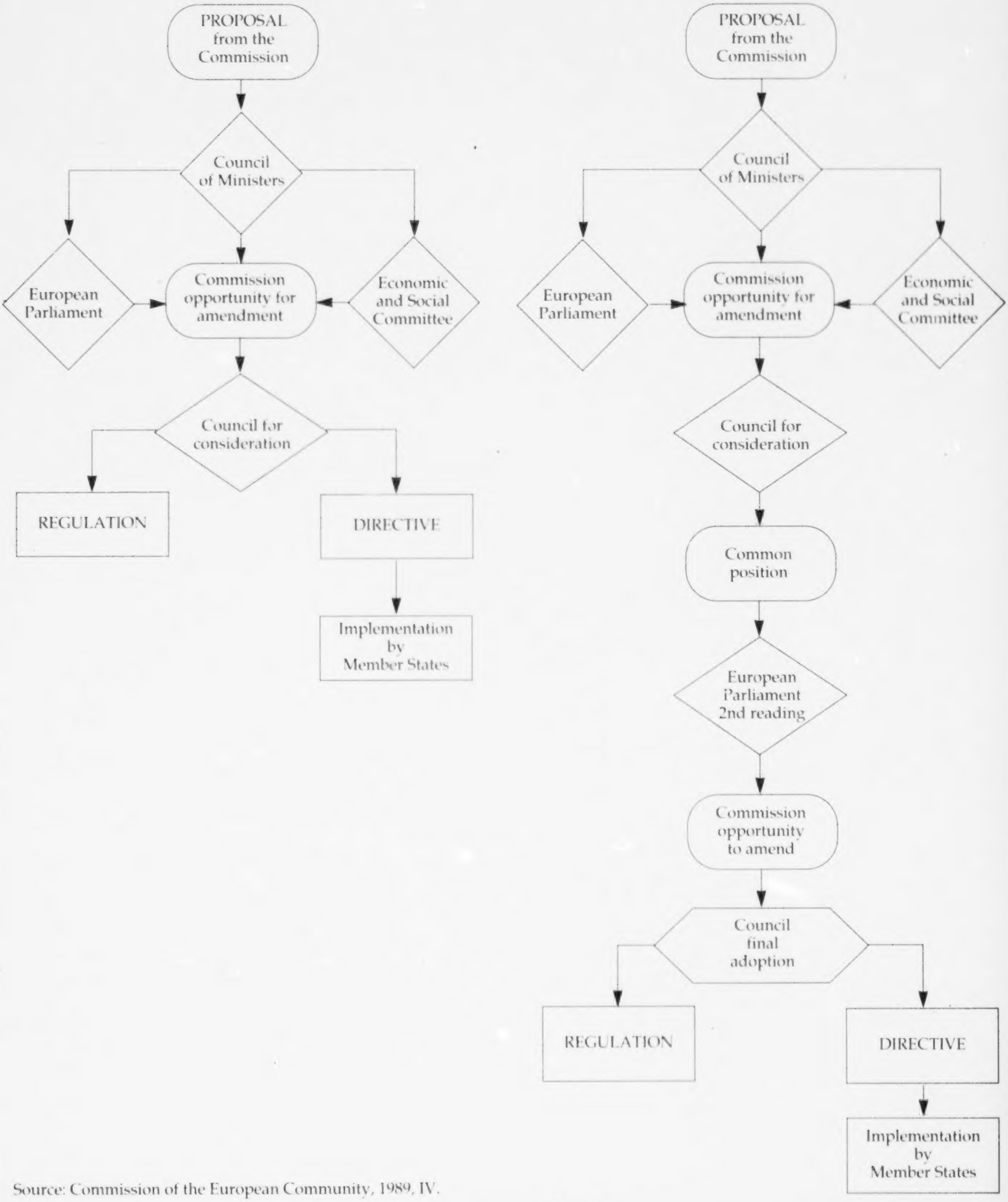
The objectives of the EC's unified internal market raised a myriad of concerns and objections. This section discusses some of the implications of completing the internal market in four areas: (A) freedom of movement; (B) freedom to work; (C) freedom to purchase certain goods; and (D) freedom to receive information. Examination of these areas illustrates the enormous changes undertaken in the SEA and the complexity in forging agreement among the member states. Moreover, in some cases there are unresolved issues that might become the focus for further action in the European Union.

Freedom of Movement and Its Implications. One of the objectives of the SEA was the removal of all controls over individuals at the internal borders of the Community with a concurrent transfer of these controls to the external borders and ports of entry. The logic of the unified internal market called for the "abolition of all police and customs formalities for people crossing intra-Community borders." The police controls relate to the identity of the individual(s) concerned and the legality of personal effects being transported. Although the idea of the abolition of all police controls/checks at internal EC borders received support throughout the Community, there also existed a great deal of concern and hesitation among the member states. If people and their possessions received the ability to freely cross the internal frontiers without any controls, its followed logically that criminals and potential criminals would do likewise. The real question for the Community in this problem area was how the EC could protect itself against transnational crime—a most legitimate objective—but at the same time give real meaning to Community integration? Problems such as the movement of arms, illegal immigrants, drugs, terrorism, and transnational financial fraud, and money laundering were mentioned the most.

The Commission's White Paper recognized these legitimate concerns. National legislation and policies dealing with arms needed to be harmonized in order to prevent the buying of arms in countries with less stringent regulations and then bringing them into another member state. Very few people in the Community would accept a totally free movement and the abolition of border controls if this meant that members of the Irish Republican Army or Basque separatists had free access throughout the EC. An EC-wide harmonized policy regarding visas for non-Community nationals had to be developed, along with policies regarding the right of asylum and the ability of refugees also to claim free movement throughout the Community. Greater coordination was needed to deal with transnational financial fraud and money laundering.

It is perhaps drugs—drug trafficking and the vast sums of cash that accompanies the trade—that has given the most concern to EC law enforcement officials. The abolition of intra-border controls would obviously mean that drug traffickers would be able to move their cash and contraband throughout the entire

FIGURE 1
Directives and Regulations from Start to Finish


PROPOSAL from the Commission
Council of Ministers
European Parliament
Commission opportunity for amendment
Economic and Social Committee
Council for consideration
REGULATION
DIRECTIVE
Implementation by Member States
PROPOSAL from the Commission
Council of Ministers
European Parliament
Commission opportunity for amendment
Economic and Social Committee
Council for consideration
Common position
European Parliament 2nd reading
Commission opportunity to amend
Council final adoption
REGULATION
DIRECTIVE
Implementation by Member States

Source: Commission of the European Community, 1989, IV.

Community with little fear of being caught. One example of this resistance can be seen in some remarks of Wolfgang Schäuble, the German Federal Republic's former Interior Minister (*This Week in Germany*, June 30, 1989, 2). Schäuble linked the eventual abolition of border controls with new measures to compensate for possible loss of effectiveness in crime-fighting and searching for criminals who are at large. Schäuble commented that the wide differences between German and Dutch drug laws had to be resolved before the Federal Republic would agree to abolish police controls at its borders.

As serious as the problems of terrorism and drug dealing may be, they are not, as Siegfried Magiera writes, sufficient to justify the retention of the existing controls:

> *"These dangers must be combatted in other ways, for example, by coordinated checks at the external borders and an increased cooperation among the Member-States within the framework of a mutually-organized 'Community Police Authority.' Otherwise, one would make tangible progress on the way to a Europe of Citizens for the great majority of law-abiding citizens dependent on the misconduct of a small, criminal minority. However, the EC countries cannot substitute stricter surveillance inside the country in order to compensate for the loss of their own border controls. To balance the opening of the borders with increased internal police controls would undermine the very purpose of 1992" (1989, 8).*

The Schengen Agreement. The outlook for totally open borders on January 1, 1993 was less optimistic, especially given the experience of the Schengen Agreement. Negotiated in June 1985 in the Luxembourgeois town of Schengen, close to the German and French borders, by Belgium, the Federal Republic of Germany, France, Luxembourg, and The Netherlands, the accord was to lead towards the abolition of the border controls among the five signatory states. The agreement would have eased personal travel across the frontiers and reduced the checks on commercial travel to a minimum. It also established some common rules for visa and asylum policies, and reinforced cooperation on issues such as drugs, arms, terrorism, fiscal fraud, illegal immigrants, and the right of hot-pursuit by police across the national frontiers. The agreement was scheduled to be signed on December 15, 1989 and enter into force on January 1, 1990—a full three years before the principle of open borders would theoretically be applied across the entire Community.

However, on December 14, 1989, the Federal Republic called off the signing ceremonies, saying it wanted more time to study how the agreement would affect the rights of East Germans wanting to travel in the other four countries (Riding 1989, 8). It appeared that the West German government only stated in public what the other member states had privately sought—the countries were not yet quite ready to do away with the border controls. The concerns expressed relating to Schengen called into question the entire viability of the 1992 open border objective.

The Netherlands, for example, stated that it could not accept the Grand Duchy's insistence to exclude matters of fiscal fraud from the police cooperation scheme. The Dutch argued that Luxembourg was attempting to protect its offshore banking activities. Belgium expressed dissatisfaction with the envisaged police computer network, fearing that it would violate individual rights of privacy. The French were not satisfied with the clauses concerning the freedom of movement of migrant workers: as East Germans migrate to West Germany, they may begin to displace the Turkish immigrants who, in turn, in the absence of border controls, could freely enter France. The three Benelux countries were wary that open borders between the Germanies, coupled with the Schengen Agreement, would mean that other nationalities in East Germany (especially Poles) would then be able to move freely to the West.

The proposed Schengen Agreement was seen for a long time as the prototype for increased integration, the ending of border controls, and the free movement of persons across intra-Community frontiers. Although nine states eventually ratified the agreement (all but Denmark, Ireland, and the UK), and the Commission committed to enforcing open borders among all members, the agreement experienced a series of delays, the last in 1994 due to technical problems in linking computers of the police and immigration authorities among the members. The Schengen Agreement finally entered into force in 1995.

With the reality of the abolition of internal border controls, there is most definitely a need for some sort of Community-wide law enforcement agency (Hurwitz 1990, 213-228). This organization would have to be a multi-lingual and multi-national, specialized agency which would go far beyond the already existing INTERPOL. This agency must have the ability to engage in transnational investigations and be able to obtain search and arrest warrants, and the power to execute these warrants on an extra-territorial basis. In theory, this may appear relatively straight-forward, but there are several real life obstacles to overcome before such extra-territoriality can exist across the Union.

The functional areas of criminal law, criminal and investigatory procedures, and the rights of individual citizens would first need to be harmonized across all fifteen Union member states. Extra-territoriality rests upon standardized norms and behaviors regarding, for example: the degree to which data and information banks (both governmental and private banks) are open to examination; the laws governing search and seizure; the content of "warnings" given to individuals under interrogation and/or arrest (e.g., the American "Miranda" rule); the rights of an individual to remain silent and to have legal counsel; the admissibility of evidence (e.g., the American "exclusionary rule"); the parameters to electronic eavesdropping-wiretaps; pre-trial detention and the posting of bond; sentencing criteria; and the standards for parole. A Union-wide "police authority"—seen to be a necessity with the abolition of the internal border controls—would find it impossible to carry out its management task objectives if there were fifteen different (and thereby conflicting) standards for the above variables.

At this writing, the Treaty on European Union establishes a new central police agency (Europol) and calls for greater cooperation among the member states in criminal matters. But the issues noted above remain to be addressed since the member states are "unwilling at this time to transfer full authority to the Union" (European Commission 1994, 8).

Freedom to Work and Its Implications. The second area discussed involves the mutual recognition of diplomas (MRD) and professional qualifications, leading to the right of free movement, establishment and practice throughout the Union for the liberal professions (e.g., physicians, dentists, veterinarians, architects, etc.). This free circulation, establishment and practice is not dependent on the removal of the actual physical controls at the internal borders—even after an individual has crossed the frontier into another Union member state, this Union citizen may still be restricted, or even prohibited, in practicing his or her profession in the host-country (See de Crayencour 1982 and Séché 1989).

It should not be surprising that severe problems arose due to the differences in educational philosophies among the member states and the governments maintained that education must remain a matter of national policy, and frequently resisted the standardization proposals from Brussels. The Commission approached this problem through the full faith and credit clauses and mutual recognition: the Commission has applied the *Cassis de Dijon* principle (explained below) so that, if an individual is legally authorized to practice a certain profession in one member state he should, in principle, be legally authorized to practice the same profession in any other member state.

Some professions, especially those in the health sector (physicians, dentists, nurses, veterinarians, midwives, and pharmacists, but architects also), have had their basic training generally harmonized (in terms of the lowest common denominator) across the Union. But even with these "successes," the progress has been very slow, laborious, and difficult. The Community harmonizing directives enabling architects to practice throughout the EC took seventeen(!) years to be achieved; it took sixteen years for the pharmacist directives. The Treaty on European Union reaffirms the commitment to mutual recognition of qualifications, but the process remains a laborious one.

Freedom to Purchase Goods and Its Implications. Article 8(a) of the Rome Treaty, revised by the Single European Act, confirmed that the free movement of goods is one of the cornerstones of the internal market. Articles 30 *et seq.* of the Treaty notes that free trade is based on the absence of quantitative restrictions (quotas) on imports or exports of any measures having equivalent effect. These Articles apply both to goods originating in a member state and to goods previously imported from non EC countries.

Various member states, attempting to limit competition under the guise of "health" or "safety," effectively prevented the sale of certain products in the domestic market that were produced according to the legal requirements existing in the exporting country. Illustrations of this use of "technical" barriers to trade are numerous; a few examples will suffice at this point: German law for years prohibited the sale within the territory of the Federal Republic of beers brewed in other member states if they contained any additives (the German national "purity laws" simply prohibited any additives in beer); Italian law used to prohibit the sale in Italy of any pasta not made from durum wheat; the German Federal Republic attempted to prohibit the sale of French and Belgian meat products containing vegetable proteins; some member states prohibited the sale of yogurt if it contained any added fruit; French-manufactured cassis was categorized as contraband in Germany. Such examples stretch on and on.

Such regulations not only add extra costs—separate research, development and marketing costs—but they also distorted production patterns. Unit costs and stockpiling costs are increased and business cooperation is discouraged. Also, even where such technical regulations do not actually forbid the sale of a certain product in the domestic market, they most definitely discourage and penalize attempts to operate on a European-wide scale. Different national production standards and regulations (e.g., basic ingredients, chemical additives, artificial flavorings, and colorings) mean that many products are separately manufactured according to the separate standards required for each individual country. In itself, the development of national standards and regulations generally has been constructive and helpful in guaranteeing that the products provide a minimum level of health and safety for the consumer and that they protect the environment. The facts on the ground, however, are quite different: such technical regulations often act as a thinly-disguised form of (illegal) national protection against similar goods imported from other member states where different—not necessarily better or worse, but different—national production standards are in force.

For many years, the Community attempted to deal with these problems and eliminate these barriers through the standardization process: the adjustment of national regulations to conform to an agreed-upon Community-wide single standard. Unfortunately, the proposals drawn up by the Commission were, in the Commission's own description, "often unnecessarily over-ambitious and correspondingly slow." The process of elaborating and adopting harmonization directives proved difficult and complex, and years were spent trying to reach agreement on the technical minutia of a single product or group of products. In the interim, manufacturers were unsure what standards they ought to comply with and, all too frequently, by the time a very rare agreement was actually attained, either the product or the standard had become obsolete, an epitaph to a bygone technology, or a barrier to further technical innovation.

Those administrative difficulties represented only half the problem; the European public perception of the harmonization efforts countered whatever progress that might have been achieved. Public opinion saw efforts at standardization as bureaucratic interference from Brussels and many people were convinced that the Community's real objective was to submerge their national differences in tastes and preferences into "Europroducts"—identical products with identical ingredients with identical tastes in identical packages—and these clones would be the only products allowed to be sold throughout the Community.

The *Cassis de Dijon* Principle. The Commission seemed to be heading down this dead-end and one-way route until the European Court of Justice issued, in 1979, its landmark ruling in the *Cassis de Dijon* case (*Cassis de Dijon* 1979, 494). This case concerned the long-standing refusal of the Federal Republic of Germany to permit the sale of French-made cassis within the Federal Republic. The Court confirmed the basic right of free movement of goods and held that, in principle, any product or good legally manufactured and marketed in one EC member state must be free to be offered for sale in any other member state. A ban on the sale of a particular product can be applied only if it is seen necessary to protect a very limited range of public interest objectives (e.g., consumer safety). Such a ban has to comply with Community law and is subject to review by the European Court of Justice.

With the *Cassis de Dijon* ruling, a member state could no longer keep out competing products from another member state because they might be slightly different—not better or worse, but different—from the domestic version of the product. Pasta made from soft wheat is now marketed in Italy alongside the durum wheat variety and beer containing additives is now marketed in the Federal Republic; it is totally irrelevant whether or not the Italian consumer buys the soft wheat pasta or the German consumer buys what is still considered to be "unnatural" or "impure" beer.

The Commission has slowly renounced its long-standing insistence on complete standardization and, taking its cue from the *Cassis de Dijon* case, it is now supporting the increased reliance on the full faith and credit/mutual recognition of each member states' technical standards. The Commission's current position is that, except in the few isolated instances of where consumer health and safety is documented to be jeopardized (an obvious example of this would occur if drugs were legalized in one EC country), anything which can be legally marketed in one member state should therefore be free to be marketed in any other member state. The Commission hopes that this new approach will avoid unnecessary standardization as well as freeing the Union's decision-making processes from the very elaborate and time-consuming (and mostly unsuccessful) work of agreeing to detailed standards covering a wide range of very technical material. Nonetheless, national governments do not readily volunteer to accept these "alien" products and cultural sensitivities are very difficult to overcome. The Germans still believe that beer with additives is an abomination that represents a frontal assault on the German cultural tradition and the Italians still believe that soft wheat pasta is an oxymoron.

Freedom to Receive Information and Its Implications. The completion of the unified internal market has ramifications and implications that extend beyond beer and pasta, however; the free flow of information is also affected. Examples of this can be seen in two recent controversies—one concerned Belgian supermarket ads in Luxembourg (*GB-INNO-BM v. Confédération du Commerce Luxembourgeois* 1990); the other, the availability of information on abortion in the Irish Republic.

A Belgian supermarket distributed leaflets in Belgium and Luxembourg advertising sales at reduced prices. The Confédération du Commerce Luxembourgeois (CCL) sought an injunction from a Luxembourgeois court to stop the distribution of the leaflets in Luxembourg on the ground that the printed information violated a Grand Ducal Regulation on unfair competition. The Regulation provided that offers for sale at reduced prices may neither specify the duration of the offer or refer to previous prices.

The Belgian company argued that the ad complied with Belgian law relating to unfair competition, and that it would be contrary to Article 30 of the EEC Treaty to apply the Regulation to the advertisement. CCL, joined by the Governments of Luxembourg and the Federal Republic of Germany, argued that the free movement of goods provisions in the Treaty had no application to commercial advertising, and that in any event the Belgian company sold its goods only in Belgium.

The Luxembourg court requested the EC's Court of Justice to rule. The Court of Justice rejected CCL's arguments, stating that consumers residing in one member state must be able to enter freely into another member state and make purchases under the same conditions as the local population. The Court emphasized that this right was curtailed when consumers were denied access to advertising material available in the country of purchase. The Court stated also that the Regulation could not be justified on the ground of consumer protection, stressing that consumer protection required accurate consumer information.

The second example concerns the availability of abortion information in the Irish Republic (Carroll 1989, 10-11). A 1983 referendum in Ireland added to the Irish Constitution a clause that affirmed the "right to life of the unborn" (i.e., abortion was made illegal). The Irish courts have interpreted this prohibition to include even the dissemination of information about the availability of legal abortions in other EC member states, particularly Great Britain.

Two women's counselling centers in Dublin continued to advise their clients on how they could obtain an abortion in Great Britain (some 4,000 Irish women obtain an abortion in Great Britain each year) and a group of students at Dublin's Trinity College also provided this information in a student publication. None of these groups advocated the setting up of abortion clinics in the Republic; they only provided information that abortions were available in another EC country. The Irish courts, however, ruled that the constitutional prohibition against abortion included dissemination of information about abortion and issued injunctions against the groups in an attempt to stop the flow of information.

Both groups appealed the rulings. The women's counselling center appealed to the European Court of Human Rights in Strasbourg, claiming the injunction violated the provision in the European Convention on Human Rights that guaranteed freedom of information. The students appealed to the EC's Court of Justice in Luxembourg, claiming that the injunction violated the EC's right to free movement of services (people have the right to disseminate information about services legally available in another member state).

The issue placed the *Cassis de Dijon* principle in direct opposition to the leeway given to EC states to derogate from the free movement of goods and services (and, by extension, information about these goods or services) if the specific member state feels that such free "movement" is against public policy in terms of health, safety, or morality". The issue is compounded, however, because it involves not the actual service, but the questions of the unhindered flow of information, the rights of the press, the ability of physicians to impart medical advice to their patients, and intellectual freedom.

Conclusions. The areas of concern discussed in this chapter—the implications of the unified internal market relating to the abolition of border controls and the freedom of movement, the freedom to work in any of the member states, the freedom to purchase certain products that are legally produced and sold in another member state, and the freedom to receive information—illustrate the difficult procedures the Community had to adopt and the enormous challenges in implementing the internal market, some of which remain. Member states will still attempt to prohibit certain imports under the guise of public safety or health; institutional barriers will remain to the really free process of circulation, establishment and practice of some professions; the red border gates have not been completely torn down; and there are still restrictions on the free flow of information. Moreover, the implementation of the single market foreshadows some of the difficulties to watch as the European Union attempts to resolve these issues and others that have been added under the Union Treaty.

UNRESOLVED ISSUES IN THE FUTURE OF EUROPE: A COMMON FOREIGN POLICY?

The Treaty of Rome was quite explicit about the competence of the European Community as a separate legal entity—an internationally recognized intergovernmental organization existing apart from the collective member states—to formulate and execute a common foreign or external policy in economic and commercial areas. For example, Article 3(b) has as an explicit Community goal the "establishment of a . . . common commercial policy toward third countries," and Article 3(k) seeks the "association of overseas countries and territories with the Community with a view to increasing trade." This economic external policy was reasonably successful, and in many areas the EC negotiated as a single entity and was able to coordinate and harmonize positions: the common external tariff has been in place for quite some time and the EC concluded several trade/commercial agreements with other countries or with groups of countries (e.g., the Lomé IV Agreement signed in December 1990 between the EC and the African, Caribbean, and Pacific States, an agreement to last until the year 2000).

But the EC Treaty was relatively silent about the Community's ability to formulate and execute a common political foreign policy or to coordinate external political positions. The EC member states have recognized, however, that "economic" or "commercial" external policy cannot be separated totally from "political" policy, and some efforts, with varying levels of success, were made to achieve some kind of cooperation and common positions on external policy issues. Partly because of the inadequacy of these efforts, the Union Treaty addresses this area more substantively. This section discusses the EC's attempts to achieve a common foreign policy through the European Political Cooperation (EPC) process and the changes under the Union Treaty's Common Foreign and Security Policy (CFSP).

The Evolution of European Political Cooperation. European Political Cooperation (EPC) evolved slowly from two related developments that eventually intersected. The first was the slow realization among the member states that commercial and economic external policy could not be separated from political issues and the second concerned the increasing desire of the EC to "speak with one voice"—this, it was hoped, would give Europe an equal voice in world affairs and counterbalance the United States and the Soviet Union, the then dominant superpowers.

It was not until the European Council met at The Hague (December 1-5, 1969) that the idea of EPC was taken up in a serious way. One section of the Final Communiqué of The Hague Summit instructed the EC foreign affairs ministers (as foreign affairs ministers and not as the EC Council of Ministers) to recommend ways of achieving progress in "political unification and cooperation."

This European Council directive from The Hague Summit led to the Davignon Report, the real basis for EPC. Accepted in October 1970, the Davignon Report played a large role in the gradual acceptance by national officials of the need to think "European" and create a Europe capable of speaking "with one voice." The EPC mechanism was refined several times since 1970, but the basic process remained the same: regularly scheduled meetings of the European Council, the EC foreign ministers, and the political directors of the national foreign affairs ministries (the Political Committee or the Davignon Committee).

The European Political Cooperation process—it was more a process for multilateral consultation than an avenue for achieving common actions—was a mechanism and structure parallel to the European Community's framework. EPC was theoretically and legally distinct from the EC, but since EPC and the EC relied upon the identical individuals and groups for most of the process (they just wore different labels), and, since the members of EPC were identical to the EC membership, there was no real difficulty in practice in achieving coordination between the two. But to be precise, EPC was outside the EC framework and it did not legally represent the European Community as an intergovernmental organization.

The decision-making process was parallel and although the lines of demarcation were often blurred, the attempt was made to keep the two distinct. Some countries—especially France and the United Kingdom—wanted to keep political cooperation ("high" politics) separate from Community business ("low" politics). This insistence upon the symbolic distinctiveness of EPC and the EC led, however, to some illogical consequences. For example, France had insisted that if the Political Committee were to become a permanent institution with its own office space and secretariat, it should not be located in Brussels (the French preferred Paris). This problem was resolved by rotating the place of the Political Committee's meetings among the EC capital cities. An example of an illogical consequence of maintaining the difference between the EPC's foreign ministers and the EC's Council of Ministers can be seen when the twelve foreign ministers met in Copenhagen one morning for EPC business, but then all flew to Brussels for an afternoon meeting as the EC Council of Ministers (Arbuthnott and Edwards 1979, 169).

This rigid separation, however, later became blurred. The foreign ministers discussed EC affairs in the same room (and in the same city) as EPC affairs, but not under identical mandates. Rather than flying from one city to another, the foreign ministers simply adjourned their meeting as the Council of Ministers under the EC and then reconvened as the EPC's foreign ministers. But the legal and theoretical demarcation still existed, despite attempts to fuse the two frameworks. The governments were still free agents in EPC—the countries adopted common positions and common actions when possible; if it is not possible, each country was free to determine its own position. Within the EC framework, on the other hand, with the use of the qualified majority voting process, unanimity is not required for all decisions, and some countries would have to implement a policy that it did not support. Thus European Political Cooperation remained theoretically distinct from European Community procedures although, in practical terms, coordination between EPC and EC was satisfactory more often than not.

Common Foreign and Security Policy. The Treaty on European Union replaces the EPC process with Common Foreign and Security Policy (CFSP). The major changes here involve a stronger stated commitment to a common foreign policy, an announced commitment to a common security (defense) policy, and new procedures for developing policy. Under CFSP, the European Council (the Heads of State and Government of the Union) establish policy, and decisions currently must be unanimous. Significantly, the Council can rule that a particular issue should be declared a matter of "joint action," which seems more likely in cases where there is urgency and clear common interests. In these cases, a qualified majority is sufficient for a decision. "The governments of the Community countries are bound, at the international level, by the Community position agreed in the join action" (European Commission 1994, 34). The member states have even committed to avoid a veto when a qualified majority is in favor even in cases where unanimity is required, although there is no way to enforce this commitment.

To the extent that common security policy is developed, it is likely to be generated initially through the Western European Union (WEU), whose membership includes nine of the original twelve member states. Like common foreign policy, development of a common security policy (if at all) will be a gradual affair and faces the problem of coordination with both the European Union and NATO. The expiration of the WEU Treaty in 1998 might afford the Union the opportunity to bring security policy directly into its decision-making apparatus.

Unresolved: European Political Cooperation and European Unification. Obstacles remain in the path of a unified European foreign policy, let alone coordination with the United States. The idea that European—and then Western—foreign policy should become more of a collective exercise involving all the main partners on a more or less equal footing is tantalizing, but there are serious doubts about its feasibility.

Even if one were to assume that the European Union countries actively desire a common foreign political policy—a very tenuous assumption despite the Union Treaty—the constraints posed by a changing international system limit their freedom of movement in achieving harmonization. One result or side effect of international interdependence is that governments now control only some of the factors that determine the content of foreign policy decision-making. International economic restraints—the need to trade, dependence on foreign energy supplies, fluctuating values of domestic currency (at least until the completion of monetary union)—appear to be very important in attempting to explain the lack of a concerted policy by the member states.

It would, of course, be much easier to coordinate Western policy if "Europe" spoke with one voice. At the present, the slow decision-making process of the Union, with its constant search for unanimity, turns Europe into an impossible partner for the United States. No wonder the U.S. acts alone and ignores Europe: European "political cooperation" often appears to be only an excuse for European inaction—an outward sign of the European's obsession with anxiety. But the European Union is a complicated, multinational, highly politicized society with fifteen separate sovereign governments, transnational institutions, diversified interests, and pressure groups. All these are obstacles that must be overcome in order to achieve a genuine "collective" foreign policy. Until then, a unified European foreign policy will remain very far from realization.

UNRESOLVED ISSUES IN THE FUTURE OF EUROPE: THE DEMOCRATIC DEFICIT

The Democratic Deficit. The European Community, prior to the Union Treaty, was subject to severe criticism by many people for relying on a decision-making process that was almost totally without any openness, popular participation, or democratic control-oversight. The basic charge was that there was an insufficient democratic component to the entire process—a "democratic deficit." The large degree of truth behind these criticisms was, in part, the source for some of the changes made by the Union Treaty. It is instructive to consider the problems of the democratic deficit and whether they have been adequately addressed by the new treaty and devices such as the "co-decision procedure."

The major agenda-setting and decision-making unit within the old EC framework was the Council of Ministers. Acting on proposals from the EC Commission or on its own initiative, the Council of Ministers had to approve (although not by a unanimous vote in many subject areas) any EC-wide policy before it could be implemented by the Commission and/or the member states. These twelve individuals were *not* the elected representatives of the European population; they were members of their own national governments, chosen to be foreign minister by their country's head of government. The only way for a member of the Council of Ministers to be forced off the Council (they cannot be "voted" out) was for their own political party to lose a domestic election (and thus the individual would no longer be the foreign minister) or for their head of government to ask for their "resignation" as foreign minister. The Council of Ministers was expected to protect and promote their own country's national interests and, even if some of them are not rascals, the European population had, under the EC framework, absolutely no ability to throw those who were rascals out of office. Also, the members of the EC Commission were not elected; they were appointed to office by the Council of Ministers. The European Parliament had no input into this appointment process similar to the U.S. Senate's ability to confirm (or reject) certain presidential appointments.

Under the old framework, the Parliament had the explicit mandate to "monitor" the activities of the Commission and the Commission is "responsible" as a collective body to Parliament. Parliament could force the Commission to resign as a body through a vote of censure. This vote of censure or non-confidence was carried by two-thirds of the votes cast, representing a majority of the total membership. A number of such votes have been proposed over the past two decades, but none has ever taken place.

In reality, however, it would have made little difference in the power of the Parliament even if such votes of censure were to be passed and the Commission were forced to resign. This would no doubt have paralyzed for some time the decision-making process but, as mentioned above, it was the Council of Ministers and not the Commission who held the effective power of decision-making within the Community. Forcing the Commission's resignation might have generated some symbolic or psychological satisfaction for Parliament, but it would have brought very little, if any, real change in policy unless the Council itself decided to pursue alternative strategies. In addition, Parliament's "control" over the Commission did not extend to any role in naming or appointing a new Commission. Even if the Parliament were to censure the Commission, the national governments would have simply nominated a new Commission of their own choosing and the Council of Ministers would have confirmed them in office. The ability to force the Commission out of office had very little practical meaning for democratic control by Parliament. Thus, the real decision-makers (the Council of Ministers and the Commission) were basically insulated bodies without any real democratic scrutiny.

Parliament did have some power regarding the budget, but its influence over the budgetary process was minimal, whether it was rejecting the entire budget or tinkering with some non-obligatory expenditures. The following remarks illustrate that Parliament had a long way to go before achieving control of the Community's budget. As Lord Bruce of Donington (a former member of the European Parliament) commented, after the budget procedure had been concluded:

> *". . . the Commission and the Council proceed to do as they please. On the basis of spurious legal arguments and as a result of inertia, Parliament's amendments are almost systematically not implemented. Vast movements of funds within the budget knock it out of recognition as regards to budget as originally adopted. Sums are added, subtracted and transferred with the barest Parliamentary involvement and the sums concerned are far greater than the minute amounts over which Parliament went to battle during the original procedure. Parliament's amendments . . . show more clearly than anything else that Parliament is left to fight for control of the petty cash while the Commission and Council are free to determine without any democratic control the use or misuse of thousands of millions. . . ." (Donington 1981, 40-41).*

Finally, Parliament objected to the decision-making process in the Council, a process that did not allow for much parliamentary input and often times were made in closed sessions. There were some areas where the Council of Ministers had to consult with the Parliament before reaching a decision. This may have permitted Parliament to shape the content of Community legislation before its adoption by the Council but—and this reflects actual behavior—there was absolutely no obligation or requirement that the Council accept any of the advice given by Parliament! That is to say, consultation rarely led to influence. As Michael Palmer commented:

> *"Only too often members of the European Parliament have had the impression that the Council has hardly even bothered to open the envelope and read the text of Parliament's opinion when it arrives at the Council's mail registry before announcing a decision prepared by the Permanent Representatives and the expert Committees well in advance" (Palmer 1981, 31).*

The Parliament gained some power since the adoption of the Single European Act, but this was not enough of a change to alter the balance of power. Note that in Figure 2, the Council still plays the dominant role, even under the "cooperation procedure" implemented under the SEA. The Parliament could, through the amendment process or by voting to reject a proposal, force the Council to adopt legislation through a unanimous vote, rather than by qualified majority. But the ultimate decision-making power remained with the Council.

Some of the national parliaments also attempted to exert more influence and control over EC affairs but, even if successful in specific cases, this really did not impact on the total "democratic deficit." This was because, while the national parliaments may be able to "control" their own respective foreign ministers or its own government's decisions in EC matters, this one country was only one of twelve (at that time) in the EC and (this is the crucial point) could not decide EC policy on its own. Although not totally analogous, the situation is similar to an American state house of representatives "controlling" an appointed state official's behavior at a meeting of fifty state officials—whatever influence exists does not go very far.

Without further change, the adoption of the SEA and the completion of the unified internal market might have further compounded the "democratic deficit," for the EC mechanisms have more and more decision-making powers at the expense of the member state governments (the democratically-controlled national parliaments were losing power to the non-democratic EC-wide framework).

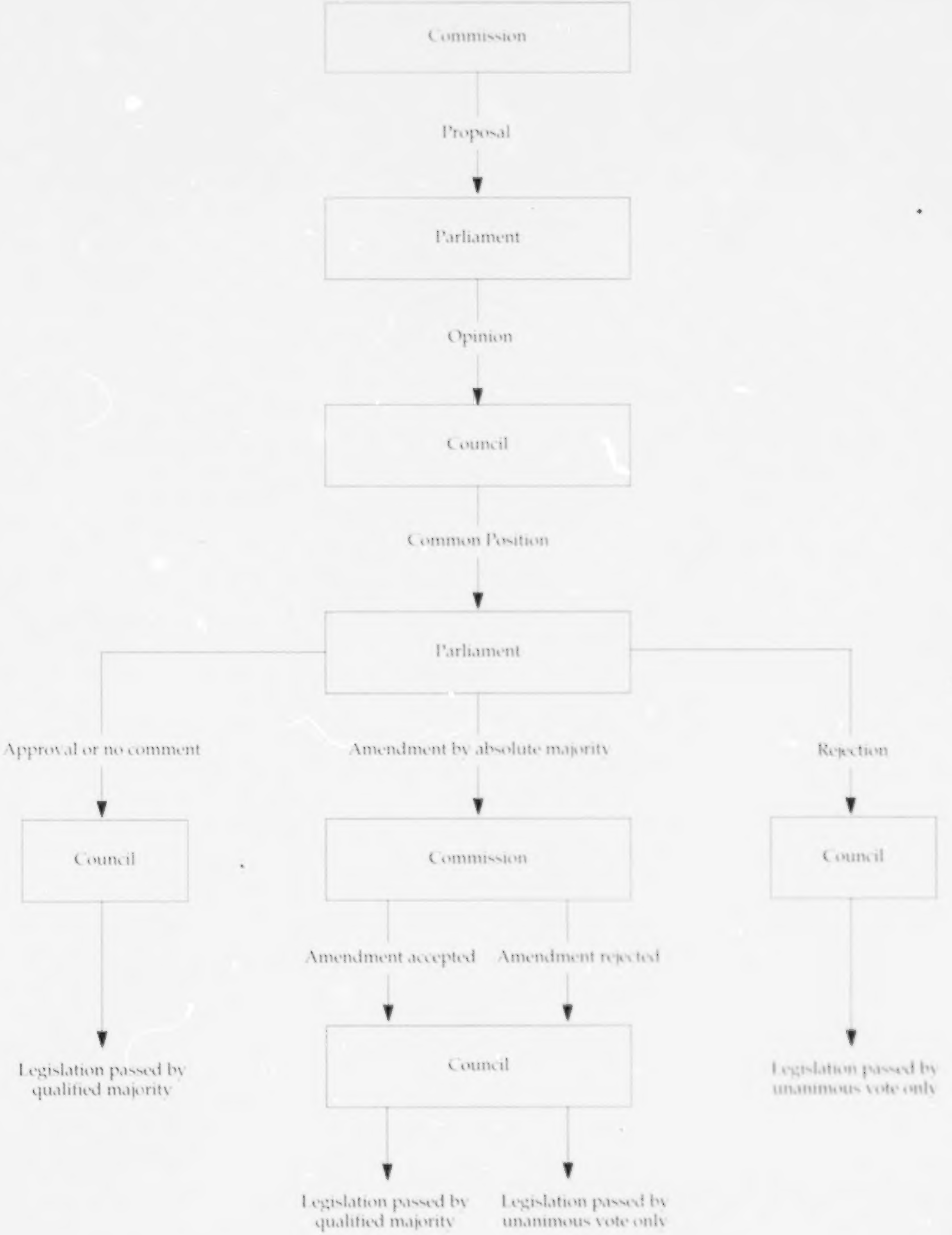
Proposals to Deal with the Deficit. The European Community recognized that democratic accountability had to be strengthened and the problem was on the agenda of the two Inter-Governmental Conferences (one on Political Union and the second on Economic and Monetary Union) which began deliberations in Rome on December 15, 1990. The conclusions from the two conferences indicated a split over how to deal with this "democratic deficit." Some countries, especially France and the United Kingdom, argued the position that real power should remain with the Council of Ministers and the European Council (Heads of State or Government). Others, such as Germany and The Netherlands, argued that the European Parliament should be strengthened.

There was not too much disagreement over the fact that a "democratic deficit" existed; the problems arose over how to deal with it. On one side were the "anti-federalists" (e.g., Denmark, the United Kingdom) who argued that the "deficit" can be reduced by returning most of the decision-making power to the national governments and thereby reducing the scope of EC-wide activity (a rather drastic way to solve the deficit). On the other hand were the "federalists" (e.g., then-EC Commission President Jacques Delors and German Chancellor Helmut Kohl) who argued that the only way to deal with the deficit was to increase the powers of the popularly-elected European Parliament (and thereby reducing the role of the national parliaments, the then twelve-member states, and the Council of Ministers).

A few examples of proposed changes should illustrate the divergence of opinion and help to set the context for the adoption of the Maastricht Treaty. The most radical proposal would have completely altered the entire EC institutional framework and, for the foreseeable future, has almost no chance at all to be even seriously considered. This proposal would have the European Parliament act as a real popularly-elected democratic legislative body: choose its own prime minister and cabinet, do away with the Council of Ministers, and transform the Commission into the bureaucracy.

A second proposal was put forth by Delors although, except for some members of the Parliament itself, it has found very few supporters. Under Delors' proposals: (1) the Commission would become the "government" similar to the United States administration and who have its president elected by the European pop-

FIGURE 2
The Institutional Cooperation Procedure


Commission
Proposal
Parliament
Opinion
Council
Common Position
Parliament
Approval or no comment
Amendment by absolute majority
Rejection
Council
Commission
Council
Amendment accepted
Amendment rejected
Legislation passed by qualified majority
Council
Legislation passed by unanimous vote only
Legislation passed by qualified majority
Legislation passed by unanimous vote only

Source: EC Delegation to the United States 1992, 7.

ulation; (2) the European Parliament would evolve into a real legislative body similar to the U.S. House of Representatives; and (3) the Council of Ministers would act similar to the U.S. Senate.

A third, more modest proposal would strengthen the European Parliament's powers in certain areas: control over the Commission, the ability to initiate legislation, and greater input into the final decisions taken by the Council of Ministers. Under this proposal, the Parliament would have the ability to confirm in office each individual member of the Commission as well as the Commission's president—similar to the U.S. Senate's "advise and consent" power. In addition, Parliament would have the power to remove from office individual commissioners (a power the U.S. Senate does not have regarding cabinet appointees).

The Deficit and the Treaty on European Union. Clearly, further integration with expanded powers for the EC was politically impossible unless they were accompanied by changes to address the democratic deficit. The Maastricht Treaty included some such changes, although it remains to be seen whether they will adequately address the problem.

Some features can most clearly be seen in the adoption of the "co-decision procedure" (Figure 3), especially in comparison to the cooperation procedure presented earlier (Figure 2). Note that there is now a "Conciliation Committee" designed to give Parliament direct input into establishing changes in the proposal when it disagrees with the "common position" adopted by the Council. This is intended as a means to allow for an acceptable compromise to modify the legislation to make it acceptable to both. This is especially necessary because of the most significant change: the addition of Parliament's ultimate right of veto, something absent previously. Before, Council could simply override the Parliament, albeit with a unanimous vote (Figure 2). Thus, with Parliament having the power to block Council, a mechanism to find compromise becomes important.

However, policies still originate with the Commission, and Parliament cannot pass legislation of its own. Nothing can be passed without the approval of the Council. Parliament did gain powers in the area of appointment. It may approve the selection of the Commission, but only as a body, not as individuals.

In terms of the objections and proposals outlined earlier, one can see that the Treaty edged in the direction of overcoming the deficit, but the changes it brought are not remotely close to the proposals suggested to transform the Union into a separate, democratically elected government of Europe. The changes in the Treaty come closest to the "modest" third proposal mentioned above, albeit without either the power to approve individual commissioners or introduce legislation. And so, the question of the democratic deficit remains.

UNRESOLVED ISSUES IN THE FUTURE OF EUROPE: THE "WIDENING-DEEPENING" QUESTION

Introduction. A third unresolved issue in the future of European unification concerns the debate over the scope of the Union's membership, the nature of its political institutions, and the degree of its internal harmonization. At the time of the implementation of the SEA, this issue was consuming. On one side of the debate were the "wideners"—this position argued for increasing ("widening") membership in the European Community to include almost any European country who makes an application to join (i.e., the European Free Trade Association [EFTA] countries, the Eastern European states, Malta, Cyprus, Turkey). On the other side of the debate were the "deepeners"—this position argued that the time is not ripe for enlargement and that the Community ought to strengthen ("deepen") its internal levels of unification among the then twelve-member states.

As with all political debates, the supporters of each position portrayed the other side in exaggerated and extreme terms. At the time of the SEA, the "wideners" were characterized by the "deepeners" as wanting to dilute the Community by adding too many new members too rapidly and thus change the Community into some sort of vague and loose Pan-European free trade area with only voluntary cooperation among the countries rather than the real unification characteristics that the single market of 1992 implied. The "deepeners" were characterized by the "wideners" as wanting to create a Fortress Europe, an elite group of the then twelve-member states closed to any outsider. As usual, the truth could be found someplace between these two extreme characterizations.

The "deepening"—evident in the implementation of the internal market, the adoption of the Maastricht Treaty, and the drive toward European Monetary Union—and the widening—seen in the admission of Sweden, Finland, and Austria—seem to show that the European Union proceeding on both fronts and that this is now an empty debate. And yet, it is also likely that the same arguments will recur at each stage of further integration and with each decision for admission to the EU. For this reason, it is useful to keep the "broadening vs. deepening" debate in mind as events unfold. This section revisits the arguments about this issue.

Previous Enlargements of the European Community. Prior to the addition of the last three members, the European Community had undergone three previous enlargements since its creation in 1957 by the original six members (Belgium, France, Italy, Luxembourg, The Netherlands, and West Germany). After a very long and bitterly-contested negotiation process which included two vetoes by the French, the United Kingdom—joined by Denmark and the Irish Republic—entered the Community on January 1, 1973 and thus increased its membership to nine.

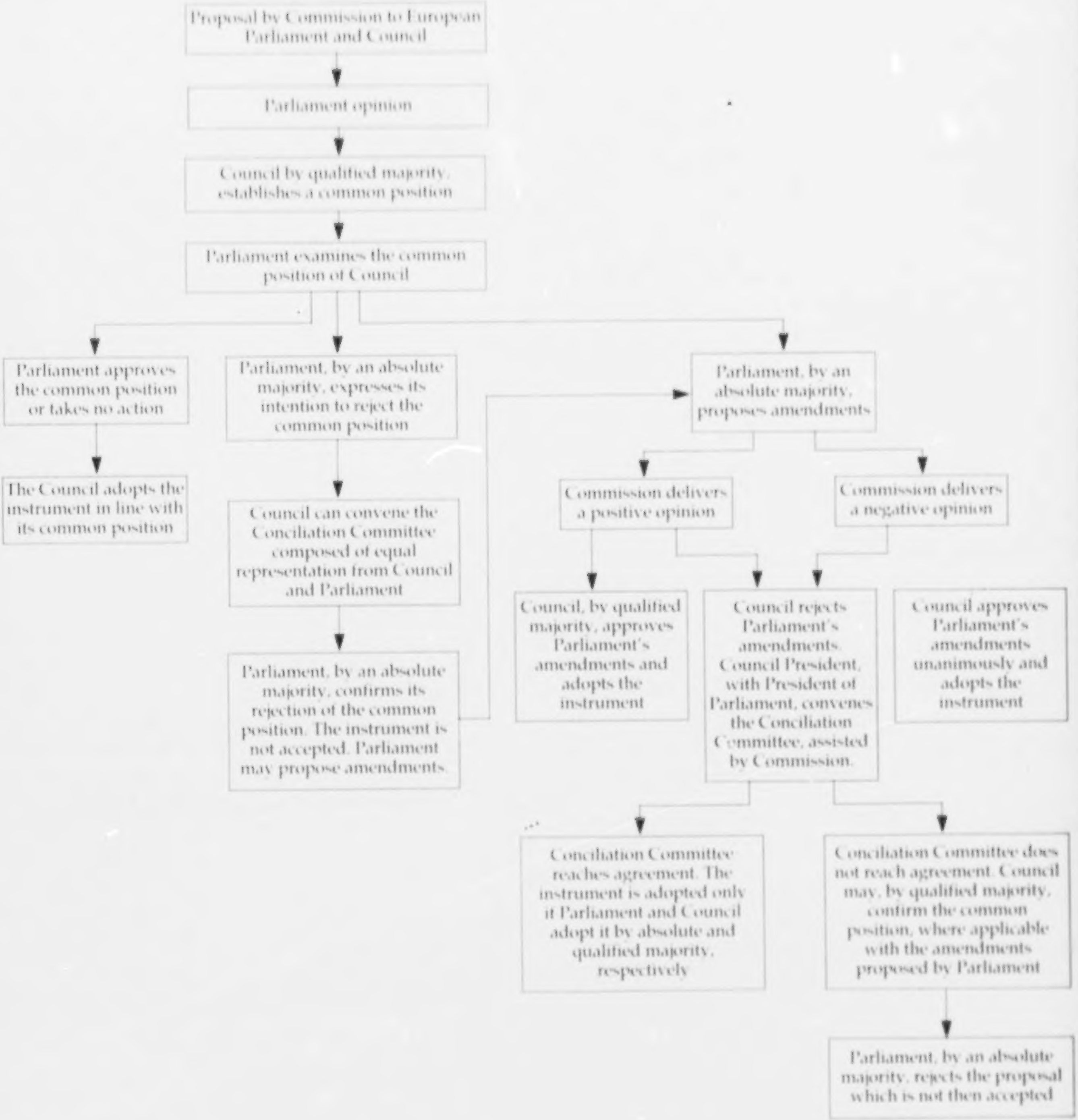
This first enlargement was an important milestone in the European unification process. It was obviously a significant event for the three new members—some sovereign decision-making powers were transferred to Brussels and the EC institutions, Great Britain renounced her insularity by becoming a "European" country, and Denmark and the UK left EFTA—but the first enlargement in 1973 also represented a significant event for the original EC countries. The six original European Community countries—fifteen years after the EEC began operating and twenty years after the European Coal and Steel Community—perceived the intracommunity consensus and unification levels to have been of sufficient strength and stability to deal with the problems inherent in the expansion by 50 percent in the number of participants in the decision-making process and in the marked increase in the group's heterogeneity. Decisions that previously had to synthesize six separate (and often quite diverse) views now, in the post-1973 period, had to reconcile nine national interests and positions.

Norway was also scheduled to join the EC in this 1973 enlargement. The Norwegian Government, however, put the question to the Norwegian population in a referendum. On September 24-25, 1972, the Norwegian population went to the polls to vote on accession to the EC; membership was rejected by a vote of 46 percent for and 54 percent against entry. The referendum was a nonbinding advisory opinion to the Norwegian parliament, but the *Storting* soon thereafter, in a formal vote, declined membership. Several reasons have been advanced to explain the Norwegian opposition to EC membership in 1972-73:

> *"The 'pro-Europe' political parties and interest groups mounted a rather low-key and ineffectual campaign, started only after the Treaty of Accession was negotiated. Prime Minister Bratteli waited until every last detail was ironed out before the campaign was put into operation, but the opposition "anti-Europe" forces started some two years earlier, during the negotiation process itself. This two-year head start placed EC supporters on the defensive, and they just couldn't overcome the lead of the anti-Europe forces" (Bolin 1972, 13).*

The Danish Prime Minister, Jens Otto Krag, did not help matters by scheduling the Danish referendum *after* the

FIGURE 3
The Co-Decision Procedure


Proposal by Commission to European Parliament and Council
Parliament opinion
Council by qualified majority, establishes a common position
Parliament examines the common position of Council
Parliament approves the common position or takes no action
The Council adopts the instrument in line with its common position
Parliament, by an absolute majority, expresses its intention to reject the common position
Council can convene the Conciliation Committee composed of equal representation from Council and Parliament
Parliament, by an absolute majority, confirms its rejection of the common position. The instrument is not accepted. Parliament may propose amendments.
Parliament, by an absolute majority, proposes amendments
Commission delivers a positive opinion
Commission delivers a negative opinion
Council, by qualified majority, approves Parliament's amendments and adopts the instrument
Council rejects Parliament's amendments. Council President, with President of Parliament, convenes the Conciliation Committee, assisted by Commission.
Council approves Parliament's amendments unanimously and adopts the instrument
Conciliation Committee reaches agreement. The instrument is adopted only if Parliament and Council adopt it by absolute and qualified majority, respectively
Conciliation Committee does not reach agreement. Council may, by qualified majority, confirm the common position, where applicable with the amendments proposed by Parliament
Parliament, by an absolute majority, rejects the proposal which is not then accepted

Source: EC Delegation to the United States 1994, 10-11.

Norwegian vote. Support for the pro-EC position had always been much stronger in Denmark than in Norway, and if the Danes had voted first, perhaps many Norwegians might have been swayed to change their minds.

The EC itself contributed to the rejection by a very untimely and callous decision. Just a short time before the referendum, the Council of Ministers (without, obviously, the Norwegian minister) issued some regulations on fishing rights in coastal areas. These regulations, which would have opened up Norwegian coastal areas to other EC countries, were perceived by many people in Norway as a direct threat to a vital national interest. The action by the Council of Ministers was perceived as a symbolic gesture of the EC's ill will toward Norway. The fishing-rights question was a decisive factor for the very large (up to 93 percent) no vote in many coastal and northern areas.

Opponents of entry were able to convince many Norwegians that the EC stressed—rightly or wrongly—industrial growth and sterile economic development at the expense of individual happiness and fulfillment, social concerns, and environmental quality. These arguments—some true, some false—reinforced an emotional nationalism among farmers and created real doubts about the future of Norway as a member of the European Community.

The decade of the 1980s witnessed two additional enlargements: Greece joined the Community as its tenth member on January 1, 1980 and on January 1, 1986, Portugal and Spain increased the size of the Community to twelve member states. These latter members—Greece, Portugal, and Spain—were not quite at the usual level of economic development required by the EC for new members, but the Community wished to make a political statement. Greece had just thrown off the ruling military junta and was slowly returning to a democratic system; Portugal, after a long rule by Antonio Salazar, and Spain, after forty years of rule by Francisco Franco, were also slowly divesting themselves of the remnants of authoritarian rule. The Community, in bringing these countries in as members, helped to solidify the nascent democratic structures of the three countries.

The nature of the Community in the 1980s was changed profoundly by the entry of Greece, Portugal, and Spain. Compared to the pre-1980 period, the Community became much more "Mediterranean;" it had many more features in common with newly-industrializing economies such as Israel, and fewer features in common with highly developed countries such as Sweden and Switzerland; it included two ex-colonial powers (Portugal and Spain) which, like France and the United Kingdom, make a pretense of having "special responsibilities" in different areas of the world; it became an agricultural superpower; it was now more culturally diverse; and marine, coasts, seabed, and fishing-related resources had increased significantly because of Iberia's Atlantic coast.

Some of these changes are reinforced by the fourth enlargement. Sweden and Finland add to the Scandinavian dimension of the culture. Finland brings the first nation to the Union that had been under a degree of Soviet influence. Additional force for environmental concerns has been added. But these nations also represented a return to members more like the original nine—highly developed, wealthy, industrialized countries.

Current Pending Applications for Membership. The procedure for admission into the European Union is that the applicant country negotiates the terms of accession with the Commission; the Commission makes a recommendation to the Council of Ministers; the Council—by a unanimous vote—accepts the applicant (subject to veto by the European Parliament) and calls for a treaty of accession to be drawn up (usually the content of this treaty has already been decided); the treaty is then ratified by all governments concerned (the current member states and the new member states).

At present, there are three formal applications pending for Union membership outside of the former Warsaw Pact nations: Cyprus (1990), Malta (1990), and Turkey (1988). Norway's application was accepted, but the Norwegian voters once again rejected membership in November of 1994. Switzerland is seriously considering applying for membership. Other European countries—Poland, Hungary, the Czech Republic, Slovakia, Bulgaria, and Romania—have negotiated "association agreements" (called "Europe agreements"). The Baltic countries of Estonia, Latvia, and Lithuania as well as Slovenia are also negotiating Europe agreements. Europe agreements include a commitment to reducing trade barriers, but also, most significantly, to the gradual implementation of harmonization policies designed to bring these nations into accord with the policies of the internal market. "The agreements . . . form the backbone of the EU's pre-accession strategy. . . ." (Eurocom 1995, 2). In other words, all of these nations hope for membership in the EU, and the Union is using the agreements as a method to determine which will be accepted, and when.

The Unresolved Issue. The issue of enlarging the Union brings with it several difficult questions that the EU has yet to resolve. Past history and current relations between certain pairs of countries would seem to militate against the admission of specific countries. For example, the traditional hostility between Greece and Turkey would first have to be resolved before Greece, who has a veto over any new members, would agree to Turkey's membership.

A second problem concerns military alliances, the role of NATO, and neutralism. Of the current fifteen members, Ireland, Sweden, Finland, and Austria are outside of NATO (France is not a formal member, but has close cooperation with NATO's command structure). They are also neutral countries. Other possible future members—Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria, and in a sense, Estonia, Latvia, and Lithuania—were members of the Warsaw Pact. It could be very difficult, if not impossible, to create a common foreign policy for an enlarged Union if the membership contained NATO members, neutrals, and former Warsaw Pact countries. The Union has yet to devise a solution to this issue.

A third unresolved issue concerns the institutional framework and voting procedures within the Union when and if new members are admitted. The Council of the European Union (formerly Council of Ministers) is the major decision-making unit within the EU and each state has an equal vote (except for the "qualified majority" votes). Opposition has been voiced by several countries to any enlargement which would give some rather quite small states (i.e., Malta, Cyprus) equal influence and power to the larger states. But to insist on a reduced role for these new members would be to create a dual class of membership—real members with equal power and quasi-members with much less power. This is a situation that no one in Europe is advocating, but the issue is still unresolved.

A final issue with the admission of new members concerns the cultural, ethnic, and religious diversity of the enlarged Union. Much opposition has been voiced against Turkey's application for these reasons. The opponents to Turkey's membership in the EU cite Turkey's "non-European" ethnicity and its Islamic culture. The official Union pronouncements never refer to this issue, but for the European population as a whole, the Turks present an entirely different set of issues than did, for example, the Austrians or the Swedes. This issue also has not yet been resolved.

So, despite the recent EU enlargement, might these factors halt further widening? Will enlargement prove a crucial stumbling block in political, foreign policy, and security integration? And isn't it likely that the deeper harmonization and political integration proceed, the more difficulty other nations will have meeting the criteria for membership? Will the advocates of enlargement call for a halt to further integration for this reason? It seems that the broadening-deepening issue will remain for a long time to come.

Endnotes

1. For a full discussion of the free circulation of physicians within the European Community, see: Leon Hurwitz, *The Free Circulation of Physicians Within the European Community* (Aldershot, Hants., UK: Avebury-Gower, 1989). See also Leon Hurwitz, "La Libre circulation des medecins à l'intérieur de la Communauté économique européenne: Le cas de la France," *Revue Française des Affaires Sociales* (Paris), XLII, 3 (July-September 1988), 15-25; "The Migrant Physician and European Integration," *Cahiers de Sociologie et de Démographie Médicales* (Paris), No. 3 (1989); and "The Role of National and Regional Interest Groups in the Implementation of IGO Decisions: The Medical Associations and the Free Circulation of Physicians Within the European Community," paper presented at the Roundtable on Intergovernmental Organizations, "Institutional Features and Management Tools in IGOs: A Need for Comparative Analysis," Werner J. Feld, Chair. International Studies Association Meeting, London, UK (March 29-April 1, 1989), 32 ms. pp.

2. These cases are identical to the American case *Bigelow v. Virginia*, 421 U.S. 809 (1975). Bigelow was convicted by a Virginia court for publishing an advertisement of how Virginia residents could obtain a legal abortion in New York (abortions—as well as disseminating information about abortions—was illegal in Virginia at the time). The Supreme Court ruled that the relevant statute violated the First Amendment. The Court ruled that a state could not prevent the dissemination within the state of information about an activity that was legal in another state. The opinion concluded with the remark that Virginia's interest in regulating what Virginians may hear or read about what goes on in other states or in shielding its citizens from information about activities outside its borders was not entitled to any weight.

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Chapter 7

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THE SINGLE EUROPEAN MARKET AND ITS EFFECT ON THE WORLD

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George M. Vredeveld

Chapter 7

The Single European Market and Its Effect on the World

George M. Vredeveld[1]

EXTERNAL RELATIONSHIPS OF THE EUROPEAN UNION

Introduction. The development of a unified internal market in what was then the European Community (EC) and the extension of the integration into the European Union (EU) through the Maastricht Treaty may be one of this century's most significant economic and political experiments. But the impact of the experiment will not be limited to Europe, for the implementation of internal trade policies nearly always has external effects and external events influence internal processes. The fact is, external and internal events are very much intertwined.

The unification process, or as it is often called, the Single European Market (SEM) was prompted in large part by external factors. By 1985 the Community's economic position compared with the rest of the world had deteriorated. Its exports to third-world countries were losing ground to other developed countries and the Community was gaining a smaller share of foreign markets than the United States and Japan. This threat of increasing foreign competition largely influenced the EC to adopt the White Paper and to pass the Single European Act in 1985 with implementation beginning in 1987.

This chapter shifts the focus from the internal to the external effects of unification. It describes the major trade relationships of the EU with other countries, defines present external policy, examines the impact of the unification process on external policy, and considers the probable impact of the SEM on the rest of the world.

The Extent of EU Trade and Investment. The EU clearly has a strong interest in the rest of the world. As a percentage of its Gross Domestic Product (GDP), the EU imports and exports to non-EU countries a substantial amount. In 1988 it exported 9.1% of its GDP and imported 9.7%. By comparison, exports and imports for Japan were, respectively, 9.3% and 6.6% of GDP and for the United States 9.1% and 6.6%. By 1992, the twelve EC members accounted for 15% of world exports; the U.S., 12%; and Japan 9%.

Figure 1 illustrates the extent of EU's trade (not including the three new member states). The EU imported approximately $116 billion of goods and services from the countries comprising the European Free Trade Association (EFTA) while it exported $120 billion worth of products to them. This extensive trade partly explains why three EFTA countries (Sweden, Finland, and Austria) have now joined the union. The value of its export to North American countries (United States, Canada and Mexico) equalled more than $100 billion while its imports equalled $112 billion. For Japan and Latin America, exports to the EU totalled $52.1 billion and $29.5 billion respectively, while imports from the EU amounted to $23.6 billion and $15.8 billion respectively. Its trade with Eastern Europe, the OPEC countries, and Africa was less extensive, but still significant.

In addition to extensive trade, Union and non-Union firms have invested heavily in each other's countries. This cross-investment relationship is especially strong between the EU and the United States, linking the two regions together in such a way that events in one region have a profound impact on events in the other.

External Trade Relationships. Many factors have influenced the formulation of the EU's present external trade relationships. One is the General Agreement on Tariffs and Trade (GATT), originally signed by 23 countries in 1947 and now totalling more than 100. Another is its geographical proximity to other nations. A third its history of association with former colonies.

GATT is a major effort to promote a system of trade based on principles of free trade and reduced tariffs. It establishes rules and provides a setting for solutions to international trade problems. Central features of GATT include the principles of *non-discrimination* and multilateral reciprocity. Non-discrimination specifies that a signatory to GATT must treat products from one signatory in the same way it treats the products from any other signatory. *Multilateral reciprocity* stipulates that the advantages in trade (i.e., reduced tariffs on some product) conferred to one country must be extended to all other members of GATT. However, GATT allows for many exceptions, such as the formation of custom unions and preferential trading agreements between countries.

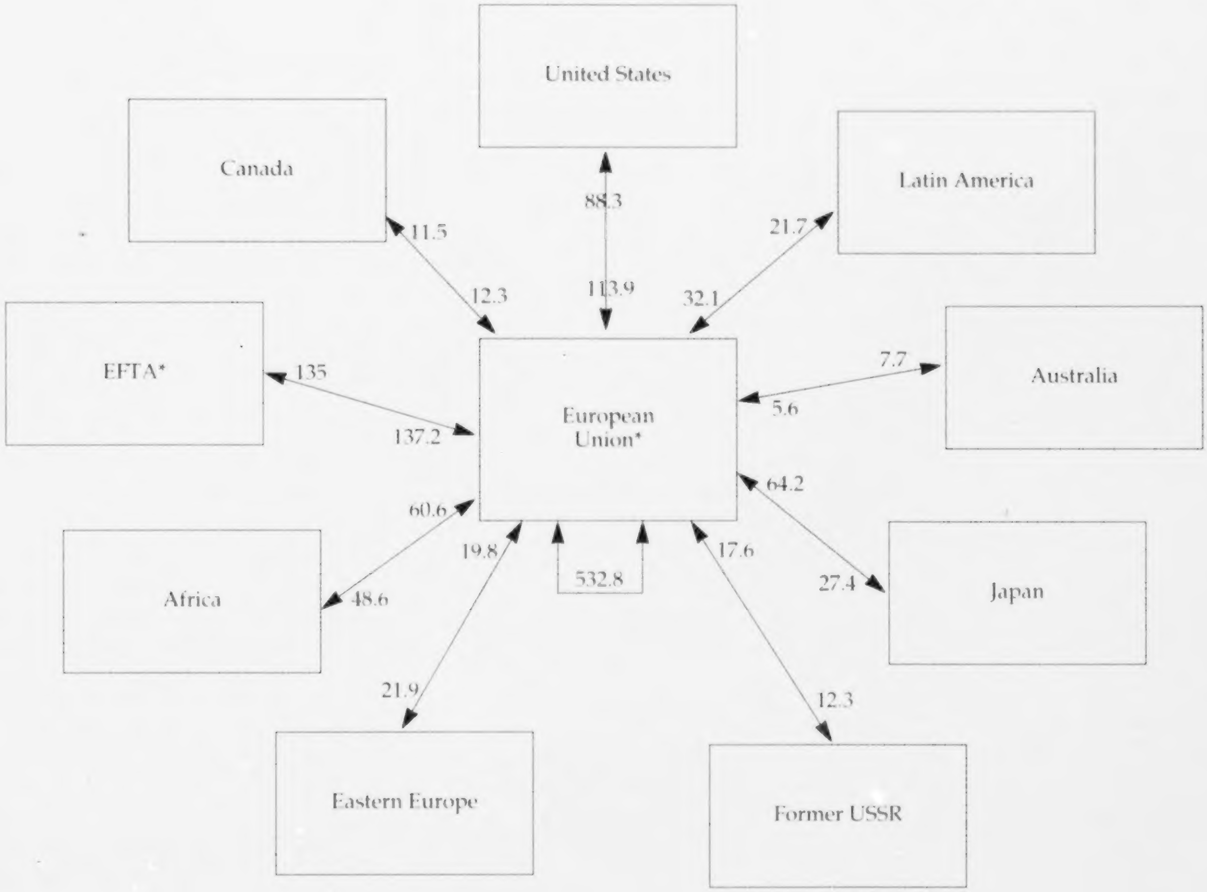
PREFERENTIAL TRADE RELATIONSHIPS

Although preferential trade relationships are allowed by GATT, they definitely are not consistent with the spirit of GATT's principle of multilateral reciprocity. Often they are a result of countries seeking some protection from the Common External Tariff (CET) or seeking assurances that they will not lose market shares in a particular product. The EC had created a distinctive preferential system of trade agreements with third party countries to such an extent that very few countries were subjected to the full CET. Except for the EFTA agreements, these preferential arrangements did not seem to be of significant economic benefit to the EC. However, they may have helped the EC to strengthen its political influence in these geographical regions.

Trade with EFTA. The most important preferential trade relationship the European Community has had was with the countries in the European Free Trade Association (EFTA). Seven countries (Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom) initially signed the EFTA agreement in 1960 to create a loose free trade region. They chose not to join the original six EC countries in a more formal custom union that eliminated all tariffs among these countries and established a common external tariff. In 1973, when the UK and Denmark (and later Portugal) left EFTA to join the EC, the EFTA countries were concerned about the potential loss of trade. To compensate, the EC negotiated very liberal trade laws with EFTA. Free trade now exists in all industrial goods, but not in agricultural products.

EFTA-EC trade was quite important to the EC, but even more important to EFTA. In 1990 it accounted for about 26.5% of all EC merchandise exports, but for EFTA, it was a sizeable 57.5%. Some of the countries in EFTA are especially affected, for example, the EC sold more goods and services to Switzerland and Sweden than it did to Japan; it sold more to Norway than to Canada. Overall, the EC historically had a trading surplus with EFTA, that is, the total value of what it exported to EFTA was greater than the total value of what it imported. As noted earlier, this trade relationship was, perhaps, a driving factor for the application of Austria, Sweden, Finland and Norway (whose

FIGURE 1
European Union Trade (billions of dollars)


United States
Canada
Latin America
88.3
11.5
21.7
12.3
113.9
32.1
EFTA*
Australia
135
7.7
European Union*
5.6
137.2
64.2
60.6
19.8
17.6
Africa
48.6
532.8
27.4
Japan
21.9
12.3
Eastern Europe
Former USSR

Amounts converted from ECUs to dollars.
*Data before Austria, Finland, and Sweden joined the EU. Intra-Union data, 1992.
Source: EC Delegation to the United States 1994, 8.

voters turned down membership) to the European Union. It might presage further EU enlargement.

Trade with the Mediterranean and ACP Countries. The Mediterranean countries, which supply the EU with many raw materials and oil, also have preferential trade relationships with the EU. These relationships began with France's agreement with its former colonies of Morocco, Tunisia and Algeria. Special trading relationships now have been expanded to include most of the other Mediterranean countries, with especially strong relationships with Turkey, Malta, Cyprus, and Israel. Significantly, as pointed out by Thompson in Chapter 1, the former three had all applied to join the EC 1990.

The EC also had established preferential trade relationships with the less developed countries of Africa, the Caribbean, and the Pacific (commonly called the ACP countries) through three Lomé conventions signed in the 1970s and 1980s. These preferential agreements often were based on the member states' relationships with its former colonies whose tradition of high wages in the public sector and high minimum wage legislation still plague them. This has limited their competitiveness, causing their share of total exports to the EU to fall and to grow at a slower rate than the exports of other less developed countries.

France probably benefits most from the EU's Mediterranean and ACP preferential agreements. Because of its historically close relationship to these countries (many of which are French speaking) France has been able to sell them some of its goods that were difficult to trade at high prices in other countries. It supplied about 40% of Francophone imports between 1975 and 1982. Trade with ACP countries historically provided a significant trade balance for the EC; however, as far as overall EU trade is concerned, the effect of these agreements has been minor.

NON-PREFERENTIAL TRADE RELATIONSHIPS

Trade with Central and Eastern Europe. EC trade relations with Central and Eastern European (CEE) countries were non-preferential; that is, no special concessions were offered these countries that were not available to other GATT members. Since World War II, the EC had limited trade with CEE countries which had their own trade bloc—the Council for Mutual Economic Assistance, commonly called COMECON.[2] COMECON, which was abolished in January 1991, was tied closely to the Soviet Union and was strongly affected by its actions. During the life of COMECON, most of the CEE countries' trade took place within this bloc.

Since the end of 1989, Central and Eastern European countries have been undergoing dramatic political and economic changes. As these changes have occurred, there has been a reduction of the type of tension that existed in the past. The EU has established direct assistance programs for these countries, including the Phare program and participation in the European Bank for Reconstruction and Development. However, the magnitude of trade is still quite small.

Since 1993, Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia have signed "Europe Agreements" which grant them associate member status with the EU. The Europe Agreements create closer economic and political ties between the EU and each country, but do not guarantee membership into the EU. Hungary and the Czech Republic, the most promising countries for membership, have set an ambitious goal for membership by the year 2000. The Europe Agreements will eventually lead to the creation of a free trade zone between the associated countries and the EU by eliminating tariffs and quotas over a ten year period. However, Europe Agreements are bilateral with the EU; while they enhance trade between the EU and the associated countries, there are not trade agreements between the associated countries themselves. The European Commission has recommended that Estonia, Latvia, Lithuania, and Slovenia also complete Europe Agreements and have the same standing as the six current associate countries.

Trade with Japan. Given the size of both economies, the trade between Japan and the EU has been limited. But even with limited trade, Japan has experienced large trade surpluses. In 1989, for example, Japan's exports to the EC amounted to $52.1 billion and its imports were valued at $23.6 billion. These continuing negative trade balances caused the EC to ask Japan for voluntary export restraints (VERs) on sensitive products, including consumer electronic goods. By the mid-1980s these VERs had been applied to more than one third of Japanese exports to the EC. The Union continues to be apprehensive about Japanese trading policy and has expressed its determination to prohibit practices that would be harmful to the economies of its member states.

Trade with the United States. The trade relationship between the United States and the EU has been extensive since World War II. Over the years, the U.S. consistently has been the largest bilateral trading partner of the Union. In 1988, the EC bought 24% of U.S. exports, with Canada purchasing 22% and Japan only 12%. American investments in the EU have increased at an even faster rate than trade with the Union. The EU is now the recipient of nearly 40% of all direct U.S. investment, which is considerably higher than the 18% it received in 1960.[3] The share of EU direct foreign investment that goes to the United States is nearly 60%. Importantly, investment activities and export activities often complement each other. In many cases, exports follow an expansion of investment ties. In 1988, 33% of American exports to the EC were shipped to European subsidiaries of American companies.

Besides having strong economic ties, the United States played a significant role in the development of the trading climate of the EC through the Marshall Plan and by supporting both EC unification and GATT. Since the EU's trade relations with the U.S. are of the "non-preferential" type, GATT has had a major influence on their relationships. But, GATT cannot solve all trade issues and there have been some notable disagreements about trade policy involving the EU's Common Agricultural Program (CAP) and regulation of the services industry.

EXTERNAL TRADE POLICY

Foundations of Policy. Even before the unification of the then-EC's markets gained new momentum with the White Paper (1985) and Single European Act (activated in 1987), it was clear that the formation of a rational internal market created the need for a complementary external policy. As early as 1948, the Netherlands, Belgium, and Luxembourg agreed to remove all intra-regional tariffs and to establish a common external tariff. With the formal establishment of the European Communities in 1958, the EEC Treaty recognized the need for a common external policy, as stated in Article 113 ". . . necessarily, as the EC develops its internal communication, the need to develop an external policy becomes more essential." The European Court helped to make this operational by granting the Community the power to conclude agreements with third party countries to the exclusion of the member states. This gave the Community powers at the international level that member states no longer had.

The EEC Treaty also described the principles and philosophy of the EC's external policy. Article 18 declared an intention to ". . . contribute to the development of international trade and the lowering of barriers to trade by entering into agreements designed, on a basis of reciprocity and mutual advantage, to reduce customs duties. . . ." Article 58 embraced the principle of non-discrimination by assuring foreign businesses that locate in the EC that they shall ". . . be treated in the same way as natural persons who are nationals of member states." Article 110 emphasized the goal of contributing ". . . to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of custom barriers."

Implementation of External Policy. While the "official" principles stated above reflect a liberal trade policy (i.e., elimination of trade restrictions), the actual formation of the policy has been somewhat different. The 1960s saw reductions in tariffs which stimulated intra- and extra-Community trade. But the 1970s and early 1980s were different. The increasing use of protectionistic agricultural policies and preferential agreements often reduced trade. The policy that has been formulated appears to be an attempt to respond to economic benefits, political pressures and special interests, both within and outside of the Union. The following paragraphs describe the components of the economic policy of the then-EC that have had a major influence on the Union's external relationships.

Common Tariffs and National Quotas. To a large extent, the EC's common export tariff resulted from negotiations that were necessary to eliminate intra-bloc trading barriers. Individual national tariffs that existed before the formation of the European Economic Community were replaced by the CET. In accordance with the GATT, the CET was not to be fixed at a higher or more restrictive level than the average of the tariffs that the member countries applied before the formation of the customs union. In most cases the average CET was set below existing tariffs in member states, yet it was higher than existing tariffs in some countries such as West Germany. From 1958 to 1979, the EC's CET fell from an average of 12.5% to about 6%. Exceptions to these tariffs and quotas constitute the preferential trade agreements that the EC made with other groups such as the EFTA countries; previous colonies; and many of the developing countries in the Atlantic, Caribbean, and Pacific (ACP) group discussed at the beginning of this chapter. For example, Caribbean fruit growers were guaranteed a minimum basic quota of 5,000 tons of bananas to UK markets, while France provided similar guarantees to French Caribbean and African producers.

In spite of the desire to develop a common external policy, Article 115 of the EEC Treaty provides member states the right to establish import quotas on specific products produced in specific countries. More than 70% of these quotas apply to textile and apparel goods and another 26% cover other industrial goods. Those most affected are Japan (primarily automobiles), the newly industrializing Asian countries (textiles), the former Soviet Union and other Central and Eastern European countries. Use of Article 115 means that any single member state can establish its own quotas over certain goods from selected non-Community countries. The quotas apply regardless of whether they come directly from the producing country or indirectly through one of the other member states. Thus, a firm in one country (e.g., Germany) can import a product that is not protected in its country, but will not be able to sell the product in another EU country (e.g., Spain) if it violates that country's quotas.

Although the EU has made some recent progress in reducing the number of products protected under Article 115, the use of this article continues. Obviously, its application is in conflict with the spirit of unification and the free movement of goods. Of course, a SEM that is fully operational and Article 115 are inconsistent, since when trade barriers are removed, there will be no reasonable way to prohibit goods from moving from a member state that does not assess a quota to one that does. Moreover, official documents describing long-term policy in the wake of the Maastricht Treaty point to "EU efforts toward the successful completion of the [GATT] Uruguay Round of multilateral negotiations. In fact, the single market and the Uruguay Round are complementary since both aim at opening world markets" (European Commission Delegation to the United States 1994, 15).

Technical Regulations and Standards. While it may appear that technical regulations and standards[4] are primarily internal issues, they have become an integral part of external policy. Standards, which define the legal requirements of a product, range from the specification of the voltage for electrical appliances to the content and ingredients of chocolates and beer. Initially, these standards were imposed at national levels to limit competition from within the Community. They also can be used to restrict competition from non-Union producers by establishing regulations and standards that are difficult for non-EU firms to meet.

A major objective of the SEM was to harmonize standards *within* the Community. There also has been progress in reducing the number of technical regulations and standards for non-Union countries. Basically, there are two types of standards—those based on a public interest objective (e.g., health and safety) and those that are not. In the later case, the Union has adopted the principle of mutual recognition which holds that products lawfully produced and sold in one member state cannot be stopped from being imported into another member state. Thus, if a product in this category meets the standards of one EU country, it can be sold in all of the EU countries. With public interest objectives, however, differing regulations that exist from one member state to another are not subject to mutual recognition.

Related to this is the issue of the testing and certification of products that meet the standards. In December 1989, the Community committed itself to mutual recognition of member states' testing facilities and agreed to the introduction of certain international guidelines in this area. Furthermore, there is some talk about accepting testing results of non-Union laboratories. This would be a major step forward in removing obstacles to trade.

Anti-Dumping. Dumping is the practice of a firm from one country selling a product "below cost" in another country in order to establish a presence in that market or simply to get rid of unwanted and temporary inventory surplus. EU companies can request protection from dumping by filing a complaint with the Commission. The Commission investigates the complaint and if there is sufficient evidence to justify the complaint, an official proceeding is initiated. After hearings, in which the non-Union exporter can argue its case, the Commission recommends to the European Council what action should be taken. If it is determined that dumping has taken place, the EU can apply duties that often reach rates of 30-50% of the value of the products that are deemed to be dumped.

In practice it is very difficult to establish when a good is being sold below cost. Usually it is calculated to be anything below the price or "normal value" of the product in the home country. If a firm has excess capacity, the additional costs of making more products could be very low. But if the firm sells these products at a low price, even though it may be highly profitable for the firm, it could be interpreted to be dumping.

Until 1976, anti-dumping measures were seldom considered by the EC Commission; for example, from 1970 to 1976, this measure was used only 26 times. Since that time, however, there has been an increasing use of this policy. Between 1977 and 1984, 301 proceedings were initiated, most of which were filed against non-market economy countries. Within the category of market economy countries, products from the United States and Japan were the most frequent targets.

Anti-dumping proceedings have been severely criticized by non-Union firms. The proceedings often are considered to be political decisions, since practices that are accepted for exporters in one country may very well be rejected for exporters in another country. Furthermore, the anti-dumping legislation gives the Commission considerable flexibility in determining if proceedings should be initiated. There has been the fear that anti-dumping measures can be used as an instrument to promote certain Union products by protecting those industries from more efficient non-Union producers, especially the Japanese.

Public Procurement. According to the Cecchini (1988) report, products purchased by governmental bodies (local, regional and national) represented almost 15% of the Community's gross national product at that time. Despite the existing legislation requiring open bidding, public authorities still tend to place their orders for products with domestic enterprises. In 1987, the Commission presented a reform package that made the bidding process more open and transparent and extended the rules to sectors previously not covered by the original legislation, including telecommunication, energy and water. Guidelines, however, gave permission to the member states to give some preference to Community companies as opposed to non-Community companies.

The successful realization of these reforms will depend on the member states' willingness to abide by the requirements set by the Commission. A recent study conducted by the Commission found that of some 3,000 procedures for awarding public contracts, more than 900 violated existing EC law in some way. The effect on non-Union producers also will depend on the extent to which preference is given to Union producers and the definition of what is, and what is not, a Union product.

Rules of Origin and Local Content. The Union's rules on origin of goods and local content have a profound external effect. The Commission uses these rules to determine whether a good is or is not Union and thus, whether quotas, tariffs, or other external policies apply to the sale of the good. For example, if a good satisfies the EU rules of origin and can be classified as a Union product, public procurement laws give it some advantage over third country products. Similarly, since several member states have import quotas on certain non-EU products, the rules of origin are important in determining if the goods will be subject to the quotas.

Although determination of origin would seem to be a simple task, it can be difficult and even arbitrary. The origin of a product is easily determined if it is produced only in one country. The difficulty comes when it is produced in more than one country, one of which is a member state. The Commission now considers the origin of the product to be the country where the "last substantial and economically justified process or operation is carried out" in the manufacture of the product. This interpretation has allowed the Union to apply anti-dumping tariffs to products that actually are assembled in the EU but do not meet the local content requirements. Therefore, setting up an assembly or production operations in the Union does not guarantee that the product will be considered an EU good, unless the Union was the last area in which *substantial* production occurred. In practice, the rule is vague and open to Commission interpretation. The discretion the Commission enjoys in interpreting the rule gives it significant power to free or restrict the market for certain products.

The Common Agricultural Policy. The most significant exception to free trade is the EU's Common Agricultural Policy (CAP). Protection of the agricultural industry has been practiced since the 19th century, especially in France, Italy and Germany. After World War II, the significant food shortages in Europe plus the scarcity of foreign currency with which to import food provided additional reasons to continue to support domestic agriculture.

When conditions for the European Economic Community were being set down it was clear that a balance had to be struck between the interests of Germany and France. France, a large agricultural producer, thought it could increase its exports to Germany by limiting agricultural imports from non-Community producers. Furthermore, there was some advantage to creating among farmers a powerful political constituency as a bulwark against possible socialist threats.

In 1955, the EC decided to support agriculture in order to permit less efficient Community farmers to stay in business and to insure that there would be abundant supplies of food. In this limited sense, CAP has been overwhelmingly successful; it stimulated production and increased the income of both large and small farmers. As an external policy, CAP has been severely criticized by non-European countries and also has become very expensive. As of 1994, the EU was spending approximately 50% of its budget on CAP.

CAP guarantees that Union farmers can sell their products at certain price levels (referred to as CAP intervention prices) that often are twice as high as prices that would exist in a competitive market. To ensure that cheaper non-Union agricultural products do not displace Union products, CAP imposes a levy on imported food products to bring prices of imported goods in line with Union prices.

The EU's major trading partners (especially the United States) have complained that they suffer from CAP in several ways. First, the artificially high EU food prices created by CAP lead to increased domestic production, displacing food exports to the EU. Second, tariffs placed on food exported to the EU have reduced these exports and harmed non-Union farmers. For example, from 1960-88, U.S. agricultural exports to the EC declined from 16% to 6% of EC imports.

CAP also affects non-Union countries in another way. Because CAP guarantees minimum prices to Union producers, it must buy all agricultural surplus at those prices. Failure to do this would place a glut of food on the Union market and drive prices down. Not only is storage of this food very expensive, but there also has been tremendous loss of value simply because of spoilage of the food stock. As an alternative to storage, the EU has provided surplus food as aid to developing countries—a policy with distinct benefits in the short term, but devastating to the agricultural industry in the recipient country because it displaces their food production. As an alternative to storage, the EU has encouraged Union producers to export their agricultural products by providing export subsidies. This policy displaces non-Union exports of food to third parties with EU subsidized exports. As evidence, in the period 1960-88, the EC's food exports increased from 31% to 66% of total OECD food exports.

In 1987, the OECD severely criticized production subsidies like those of the CAP, claiming that in the long run they become increasingly expensive, they encourage price and subsidy wars (especially in developing countries) and prevent the natural and rational reorganization of agricultural industries that foster sound economic growth. CAP has been a source of considerable tension between the EC and its trading partners, especially the United States. Of all of the U.S. formal GATT complaints against the EC, 80% were agricultural related. When efforts to liberalize the GATT broke down in 1990, many observers felt it was in large part because of the EC's refusal to reduce substantially CAP support levels.

GUIDELINES FOR EVALUATING THE EFFECTS OF TRADE POLICY

It is difficult to determine the precise and complete effects of trade policy, let alone to evaluate whether the policy is good or bad. Trade policies always have distributional effects in the sense that some producers will lose profits and trade opportunities while others will benefit from increased trade. Consumers also are affected since they will benefit (or lose) because of lower (higher) product prices. However, from a broader perspective, something can be said about *net* benefits to society. For example, as EU unification removes trade barriers, new intra-EU trade patterns will occur; namely, there will be a shift from the consumption of products produced by less efficient, higher-cost producers to lower-priced products produced by more efficient producers in the Union. We can analyze the *net* effects of unification on extra-Union trade by observing what types of shifts the SEM promotes and the effects of the SEM on trade creation and trade diversion.

Liberal Policy and Trade Creation. According to liberal trade theory, *trade creation* (i.e., a shift from higher-cost production to lower-cost production) is based on the principle of comparative advantage and is of *net benefit* to a society. Through trade, societies can increase their range of product choices, buy at lower prices and increase their productivity by specializing in certain activities. According to the principle of comparative advantage, nations benefit by trading more, and it usually is in their best interest to stimulate trade by lowering or eliminating barriers to trade.

Although trade creation may be a loss to the high-cost domestic producer who is replaced by a low-cost foreign producer, the overall effect benefits both producers and consumers by expanding export opportunities for one group of producers and providing lower priced goods for consumers. From an economic standpoint the arguments for a liberal, free trade policy are very strong, and virtually all economists agree that free trade, based on the principle of comparative advantage, is superior to regulated trade. Since the benefits of free trade have been discussed in another chapter of this volume, they will not be repeated here.

Regulated Trade and Trade Diversion. Regulated trade, rather than free trade, often produces trade diversion, which is a shift from lower cost production to higher cost production. *Trade diversion is a net loss to society* because it limits export opportunities and increases the price of products for the importing country. However, there may be strong political reasons to engage in regulated trade. Much of the regulated trade policy is based on the earlier philosophy of mercantilism which holds that it is better to export than to import and better to produce than to consume. Mercantilists believe that exports bring in "wealth" (i.e., money) while imports represent a loss of wealth. Mercantilistic policy encourages exports and discourages imports by imposing tariffs or other barriers. Policy makers still find some of the tenets of mercantilism to be persuasive. For centuries, and especially during recessionary periods, policies aimed at limiting imports and subsidizing exports have had a strong political appeal.

There have been many arguments against free trade. In 1845 the French economist Frederic Bastiat satirized these arguments in a clever pamphlet that sought protection for candle makers against the unfair competition of the sun. He requested the Chamber of Deputies to pass legislation that would protect the jobs of candle makers by prohibiting windows. This, of course, emphasizes the absurdity of some protectionistic logic. Yet, other arguments have a more intuitive appeal.

One reason given for protecting firms from the competition of exports relates to *infant industries*. The contention is that small new industries should receive protection while they grow and become stronger, allowing them to compete with older, larger and stronger foreign competitors. Interestingly, although most of Europe's industries are not "infants" in the chronological sense, many are small because of the types of barriers to trade that unification is attempting to abolish. It was these intra-Community barriers that restricted competition, limiting access of many firms to larger markets. As the Union abolishes these barriers, firms will have access to larger markets, enabling them to grow and become more efficient. But, argue the proponents of protection, until they can grow, European firms will need protection from extra-EU firms.

National interest is presented as another justification for protection, a term which can be defined in many different ways. Some have argued that certain industries should be protected because they are central to the provision of national defense. For example, because aircraft are essential to national defense, a nation should design policies to ensure the existence of an aircraft industry. The argument also is applied to "essential industries" because they provide good jobs or other benefits. John Culbertson (1990), for example, asserts that free, liberal trade often does not provide national benefits, even if it might produce benefits to individual parties. According to Culbertson, to be nationally beneficial, there must be a rough balance between quantity of exports and quantity of imports and there cannot be big shifts from one nation to another of industries that provide rewarding jobs and careers. For the Union, losses of rewarding jobs could become an issue if firms must compete in the more competitive environment of the world economy.

A FORTRESS EUROPE?

Changing International Order and Trade Barriers. The Single Market Act and the subsequent unification program have contributed greatly to the reputation of the EU as a major economic power. Its ascendancy to this position has occurred in the midst of a dynamic international trade environment that will continue to change and influence the role of the EU as a major power.

The Union's relative position has improved significantly since the end of World War II when the United States unilaterally dominated the international economy. Since then the positions of Japan and the EU have expanded so that by the mid 1970s, European and Japanese producers were often challenging the position of American producers. In response to this new international competition, to trade deficits, monetary fluctuations and a recession, the major industrialized nations (i.e., EU, U.S. and Japan) began to erect more non-tariff barriers to trade, seriously threatening GATT's effectiveness in maintaining a liberal trade environment. In addition, the major traders have strengthened their regional trading blocs and preferential trade agreements.

The combination of the above creates speculation that the world has abandoned or will abandon multilateral trade in favor of regional or bilateral trade. For example, many think that the EU will create an economic region with the remaining EFTA countries; Japan will form an alliance with nations of the Pacific Rim; and the United States, which already has a separate free trade agreement with Israel, Canada, and Mexico, will expand this to other countries in the Western hemisphere. The existence of three major trading blocs (North America with a GDP of $7,737 billion, the EU with a GDP of $5,971 billion, and the Pacific Rim with a GDP of $4,625 billion) could not only limit trade but also create devastating trade wars. Yet, even with the possible formation of three separate trading blocs, these regions are becoming more intertwined. Producers within these three blocs have made substantial investments in building production facilities in one another's countries in order to establish a presence that will not be subjected to external policy and to protect against the effects of sharp currency rate shifts that can make their products less competitive in other countries.

In the midst of these changes, one of the questions most often asked by the Union's trading partners is whether the EU, once it develops a strong unified internal market, will erect a "Fortress Europe," building trade barriers that discourage extra-Union exports to the EU. If it were to do so, it would be a dramatic change from past policies. Historically, the EU has followed a rather liberal trade policy and its tariffs and barriers have been as low as most developed nations. Although there is little concrete evidence that the EU intends to initiate a strongly restrictive trade policy, there are disquieting signals that suggest they could move in that direction. In the paragraphs that follow, we explore the answer to the question: Will there be a Fortress Europe?

Influencing Factors for a Fortress Europe. In past decades, many European industries have received some type of protection from their national governments. Pinder (1990) estimates that subsidies to less competitive firms account for some 3% of Gross Domestic Product (GDP) in several member states. According to a study commissioned by the European Commission, many technical standards exist primarily to provide protection to special interest groups. When this support is removed because of the SEM, these firms and their workers will be seeking some type of assistance, probably through an external policy.

For example, through Article 115 of the Treaty of Rome, automobiles are protected in France, Italy, Portugal and the UK. In Italy, Japanese imports are permitted to account for only 1% of new car registration in any year; in France it is somewhat higher at 3%, while in the UK it is 11%. With the unification of European markets, Article 115 will no longer be effective and many businesses will suffer. Unquestionably, there will be loud outcries and demands for compensating external barriers at the

EU level. This "levelling up" of EU barriers will apply to all member states, and thus there will be restrictions in countries that previously did not have them.

The trend toward internationalization of financial and products markets also will create pressure for EU barriers. This internationalization causes economic events in one part of the world to be translated quickly into effects in another part of the world. Certain industries that used to be insulated from world-wide changes now find themselves affected by these changes and by the threat of profit and job losses. In response, the strength of European trade and workers' associations has increased as has their ability to influence member state governments and the EU. According to Hochstrate and Zeppernick (1988), the political pressure to protect Union businesses will intensify.

Finally, there have been numerous statements and actions by EU officials which can be interpreted to mean that the EU will create more trade restrictions. Often it is stated that advantages of unification should not "be given away." By this it is meant that "concessions" or reductions of barriers must not be made unilaterally. This mercantilistic viewpoint is well illustrated by Umberto Agnelli, a Fiat Vice President, who said in 1988, "The single market must first offer an advantage to European companies. This is a message we must insist on without hesitation." But even more ominous is the increasing use of protectionistic measures such as anti-dumping procedures which increased from 27 in 1989 to 43 in 1990. The applications of health standards to limit export of American meat products and the restrictions on the use of non-EU- developed television programs also is regarded as signs of increasing protectionism.

Evidence Pointing to a Liberal Trade Policy. It would be surprising if one of the world's greatest traders turned strongly protectionistic. To do so, said Willy de Clercq, the EC's former Commissioner for External Relations, would be like shooting oneself in the foot. A major reason for the SEM was to create an economy that was vital and competitive with the United States and Japan. To develop the competitive system they desire and then to turn away from the world community is contradictory. In practical economic terms, it would not be in the overall interest of the Union to build a Fortress Europe. The Centre for International Economics (Australia) estimates that a Fortress Europe would lead to a decrease in GDP of $52 billion in the EU (over 1%). By contrast, with liberalization, the Union's GDP would rise by $117 billion or 2.5%. The difference between the two outcomes (Fortress or liberal) is nearly $170, an amount nearly equal to the gain that the SEM is estimated to produce. For Europe, therefore, the choice between a more protectionist or a more liberal external trading regime is as important as its decision to gain from the removal of internal barriers through the SEM project.

Although there have been official statements that imply the EU will construct some barriers to trade, most of the statements on external policy (as noted earlier) confirm the desire to maintain liberal trade. The following statements by the European Council are illustrative:

> *"...the Single Market will be of benefit to Community and non-Community countries alike by ensuring continuing economic growth."*

> *"...the internal market will not close in on itself. 1992 Europe will be a partner and not a 'fortress Europe.'"*

> *"Where there are no multilateral or bilateral rules, the Community intends to 'contribut[e] to the greater liberalization of international trade on the basis of the principles of reciprocal and mutually advantageous arrangements.' This will be achieved through the GATT Uruguay round negotiations and, where necessary, through bilateral negotiations."*

> *"The Community and its member states will continue to work closely and cooperatively with the United States. ... Closer political and economic relations with Japan and the other industrialized countries will also be developed."* ("Declaration of the European Council..." 1988)

Some Signs of Policy Change—What to Look For. Whether or not a "fortress" is built will become more apparent over the next several years. The actions that will attract the most attention will be changes in major policy, such as modifications in the Common External Tariff, common quotas, and the Common Agricultural Policy. While these measures will have a major "announcement effect," most of the changes will be more subtle and will be initiated through modifications in the application and interpretation of the rules. For example, it is not likely that new anti-dumping regulations or public procurement laws will be written. Rather, different interpretations of rules of origin will be applied. As discussed earlier, the Commission has enough flexibility in interpreting rules to affect drastically the degree of access to certain Union markets.

As you will recall, the *interpretation of rules of origin* can affect whether a product is subject to import quotas, preferential rates of duty, anti-dumping laws or public procurement preferences. According to the critics of the Commission, its interpretation of the rules have not been applied impartially, they have not been spelled out, and they are being used as a tool of industrial policy. In several cases, Japan exported product parts to the EC where the final product was fully assembled in the EC. But the final product was subject to anti-dumping tariffs because the assembly did not satisfy the "economically justified" clause in the rules of origin. Japan appealed and won through the GATT Disputes Panel in 1990. Similarly, Japanese and American semiconductors and photocopiers have been the subject of some rules of origin controversy as have Japanese automobiles. In the photocopier case, Ricoh photocopiers that were produced in Japan were subject to a 20% anti-dumping duty. In response, the Japanese exported U.S.-made Ricoh photocopiers to the EC, publicly taking the position that the assembly in California made the photocopier of U.S. origin and therefore was exempted from the anti-dumping duty. But the EC still classified them "Japanese" under its rules of origin. American makers of Japanese cars (e.g., Honda and Toyota) are concerned that their shipments of cars to the EU also will be viewed as "Japanese" and therefore subject to quotas or other restraints not faced by "American" cars.

Another clue to changes in Union policy will be changes in the *interpretation and application of reciprocity*. The issue has been most critical in the financial industry. One way to interpret reciprocity is that the rights of EU banks to operate in the U.S. should be identical to the rights granted U.S. banks to operate in the EU. But this is problematic since U.S. laws are more restrictive than EU laws. The Americans insisted that, even if U.S. banks could operate in Europe with the same rights as European banks, European banks operating in the United States would have to abide by U.S. law—they would not be able to operate in the U.S. with rights granted to banks operating in Europe. For a time it appeared that U.S. banks would be denied access to European markets because of the "mirror image" definition of reciprocity and Americans suggested that the exclusion of their banks was the unstated objective of the reciprocity principle. The Commission now has softened its position to permit non-Union banks to operate in the EU under Union regulations if Union banks can operate in the United States under the guidelines of U.S. regulations. However, the Commission has reserved the right to monitor the treatment that EU banks receive and to remove licenses of non-EU banks if treatment is not deemed to be appropriate.

The *degree of access* to the decision-making policies and institutions the EU grants to non-Union firms also can serve as a clue to EU policy. For example, the setting of standards can influence the openness of EU markets. Non-Union producers often express concern that they are not part of this process and have no influence in areas that may be critical to them. This is especially true for small-and medium-sized firms that have no subsidiaries in the EU. Furthermore, they fear that they will learn of the new standards well after EU firms since they were not privy to the discussions and received no notes or drafts of the new standards.

The access question also applies to research and development. The EU has sponsored some large research and development programs which presently are open to participation of U.S. subsidiaries located in the EU. Nevertheless, they are not guaranteed that this access will continue, for it depends on the Commission's interpretation of what constitutes a "European company." The participation of U.S. subsidiaries is in some danger now since a large American-sponsored project (SEMATECH) does not allow participation of any non-American firms, even if they have subsidiaries in the U.S.

THE SINGLE EUROPEAN MARKET: EFFECTS ON THE REST OF THE WORLD

General Effects. There is little doubt that the SEM will increase trade within the EU, stimulate economic growth and increase income. Cecchini (1988) estimated that unification would stimulate Union growth by up to 5%. Through this *income effect* the Union's demand for foreign products will increase. Provided external policy does not set up trade barriers, which divert Union consumption away from less expensive imported products to more expensive domestic products, this income effect will create a positive effect for both the EU and its trading partners.

A second likely outcome of unification will be a change in the *efficiency* of EU producers. Because EU producers will face more open markets, they will be able to expand their production to meet the needs of these larger markets and realize economies of scale. Furthermore, Union producers will face increased intra-EU competition "forcing" them to become more efficient. Here, the EU producers who become more efficient will benefit as will EU consumers who are able to purchase goods at lower prices. Similarly, consumers from non-member states who buy EU products also will benefit from lower EU prices. Because of the lower production costs of EU products, there will be a *substitution effect* and some products previously imported from non-member states now will be purchased from EU producers. Although the less efficient non-member state producers will lose markets, the net effect to producers and consumers will be positive.

A third effect will be created by the *elimination of preferences* that now are given to specific producers in non-member states. To the extent that these preferences give an advantage to high cost non-member state producers, an elimination of the preferences will shift production from higher cost to lower cost producers. This will create benefits for EU consumers and expand trade opportunities for efficient non-EC producers. However, it will create a redistribution in trade and those formerly "preferred" producers will lose their advantage. Once again, the overall effect is positive and is an example of trade creation.

A fourth effect of the SEM will be a change in *terms of trade*. Because of the increased efficiency of Union producers, EU exports to non-member states will be less expensive. The substitution effect will reduce demand for non-Union products formerly exported to the Union causing a decrease in the price of exports to the EU. Accordingly, non-member state consumers benefit because they can buy EU goods more cheaply, but non-EU producers lose if the price of their exports to the EU falls. However, this decrease in demand for non-EU products due to the substitution effect will be countered by an increase in demand for non-Union exports to the EU caused by the income effect.

It is difficult to predict the relative influence of the income effect on demand for non-EU products and the reduced demand due to substitution effect. Of course, the relative importance of these effects will be different for different trading partners and different industries. Everyone will not benefit.

A fifth and very substantial influence will be the *removal of intra-EU barriers to trade*. A unified EU without internal barriers presents some inviting opportunities to firms outside the Union. In almost all cases, the elimination of barriers will reduce costs. Of positive, but somewhat minor, importance to non-EU firms are the elimination of border controls, the free movement and right of establishment of people, and indirect tax harmonization.

A category of barriers considered to be of moderate importance is the establishment of both a common legal framework and capital liberalization. Depending on the results, a common legal framework could reduce operating costs by reducing the number of legal regimes in cross-border operations. But the legal framework could introduce some disadvantageous elements as well, such as the requirements for conducting business that are onerous to non-EU firms. Capital liberalization will greatly facilitate the raising of capital in Europe for growth and expansion of EU and non-EU headquartered firms alike.

The categories of barriers to be removed that will have the greatest impact on non-Union firms include regulation of services, regulations and standards, and public procurement. The terms and conditions under which foreign countries can supply *services* in the EU will be critical. The two important areas are financial services and information technology, both key industries in modern dynamic economies. If these service sectors truly are open, non-Union firms stand to benefit a great deal. However, these industries often are considered to be important to national interests, presenting the possibility of barriers to foreign service companies. The temporary resolution of the application of the reciprocity principle in the banking industry has increased optimism about non-EU access to the Union's service sector.

The *harmonization of regulations and standards* will be of great benefit to non-EU firms. Markets will be easier to penetrate because firms will have only one set of standards that must be satisfied. Because of the "mutual recognition" principle, a foreign product that meets the standards and criteria for distribution in one country in the EU can be sold in all of the other countries as well. There is good evidence that these standards have been used to discriminate and protect firms in member states. Their harmonization will be beneficial. Importantly, the advantages of a single standard and a single set of regulations will be available to all firms, whether they are foreign firms or are firms that are headquartered or operate inside the Union.

Finally, the opening up of the vast EU *public procurement* market, which accounts for nearly 15% of the Union's gross domestic product, will provide extensive opportunities for non-EU businesses—especially in the areas of construction, telecommunications, information technology and power equipment. The conditions that are established for bidding are of particular relevance to foreign firms.

The SEM and the United States. The United States has played a major supportive role in the unification of Europe. Its interests were both economic and political. The U.S. believed an economically strong Europe would help to serve as a defense against the threat of the Soviet Union and was ready to use economic policy in order to achieve this. Europeans willingly accepted the Americans' interest in unification because it provided them with a stimulus to grow and a means to protect some of their industries.

The United States supported GATT in order to curb discrimination against American products and to prevent a return to high tariffs and protectionism. Most of the countries (including all of Europe) had an acute shortage of American dollars and thus limited their purchases of American products to only essential items and placed high tariffs and other restrictions on other American products. The United States, understandably, was concerned about this discrimination and pushed hard for freer, nondiscriminatory trade through GATT.

Naturally, the future impact of the SEM continues to be of vital interest to the United States. The key question to U.S. business interests is whether unification will be accompanied by measures that limit opportunities to U.S. firms, and if so, to what extent. The specific ways in which U.S. exporters will most likely be affected include:

a) the extension of EU quotas and,
b) an expanded application of anti dumping measures.

For U.S. investors the concerns are:

a) limitations to the application of the principle of national treatment,
b) strict interpretation of the principle of reciprocity,
c) a restrictive interpretation of rules of origin and,
d) the introduction of unduly restrictive social legislation.

Both exporters and investors would be disadvantaged by:

a) a process that sets standards that are discriminatory, transparent, or not well understood, and by
b) a public procurement regime that limits U.S. participation.

The concern about the use of *quotas* applies not so much to "American" products, as to "Japanese" products. As stated above, severe restrictions on Japanese products actually could hurt American producers who manufacture products that have a large Japanese content. Whether these products are considered Japanese or American will depend on how the rules of origin are interpreted by the European Commission. Another area where EU actions could reduce access is *anti-dumping rules*. In the past few years the Europeans have tightened up their procedures, especially with Japanese and Korean producers.

There also are implications for U.S. investors. A central concept of international trade is *national treatment* which states that all firms, whether or not they have their headquarters in that country, should be treated according to the laws that govern national firms. That is, all "foreign firms" located in a country should be subject to the same rules as "national firms." This concept is so important to the common interests of the world's industrialized nations that members of the Organization for Economic Development and Cooperation (OECD) adopted a national treatment agreement in 1976. The Treaty of Rome also states that the principle of national treatment should be upheld. The Commission, however, reflecting a general consensus in the EU, has been inclined to make a distinction between "EU" and "non-EU" firms.

The *regulation of services* will be especially important to U.S. interests. Americans have the ability to compete effectively in several services industries such as financial services and information technology. Although U.S. firms are well represented in the EU service sector, it will be essential for them to be able to participate in this rapidly changing environment with the same advantages as EU firms. The critical SEM issue in this industry is the interpretation of *reciprocity*. At present, the EU and U.S. seem to have reached an accord on this issue, but a modification of the interpretation could have a significant impact on U.S. interests.

The implementation of common *standards* will be watched carefully by American firms. The issues here are the extent to which the U.S. has some influence on the determination of standards, the degree to which American firms learn about new standards when they are determined, and the extent to which these standards are non-discriminatory and do not impose standards that are especially difficult for American firms to meet. These issues will be more significant to medium-sized American firms that lack a large presence in the Union than for large firms that have subsidiaries and a large presence in the Union.

Another issue that may be a problem is *social policy*. There is an effort to require all member states to adopt a common social dimension to the operation of business. For some member states this would require increasing worker participation on Boards of Directors, increasing benefits packages, etc. As far as the U.S. firms are concerned, the relevant issue is less of having similar social policies in all member states than of the contents of the policies—namely, the extent to which they affect corporate decision- making and the cost implications.

But in spite of these concerns, there are two factors that likely will be overwhelmingly beneficial to American business interests: the harmonization of standards and the income effect. The SEM will present U.S. business an essentially *barrier free market* in place of 12 separate entities. This large open market will be especially advantageous to American firms, which are accustomed to selling in large markets. Most American firms have tended to look at Western European markets as a region rather than as individual nations. As one observer suggested, "U.S. multinationals believed there was a Common Market before it existed." In contrast, European companies have tended to focus on their own domestic markets. Especially for multinational firms that already have a presence in Europe, global marketing skills will be of great benefit. The other way in which Americans will benefit is the *income effect* of EU consumers, which probably will be much stronger than the substitution effect. Calingaert (1988) estimates that the income effect will be about three times stronger for the U.S. than the substitution effect. These estimates include only the income and substitution effects; they could be much higher (or lower) depending on the actions taken by the EU.

By looking at the past history of the expansion of the EC, we may get some clue which will help us determine the impact of the SEM on trade with the United States. Yannopoulos (1988) estimated the impact on trade expansion attributable to the formation and expansion of the EC. The EC's formation in 1958 produced a U.S. gain in trade of $18.5 billion. When the EC expanded from six countries to nine, the gain was $0.8 billion; when they expanded to twelve countries, the U.S. lost trade, most of which was caused by large losses in agricultural trade with Greece, Spain and Portugal. To the extent that the SEM will produce similar efficiencies as past expansions, the U.S. is likely to benefit. Of course it will depend on EU policies. The Centre for International Economics estimated the effects of the SEM under two regimes—a restrictive protectionistic regime and under a liberal regime. They concluded that a restrictive EU regime would decrease production in North America by $40 billion or 0.7% of its GDP. A liberal EU regime would increase exports by $14 billion and GDP by $31 billion.

When assessing the impact of SEM on American interests, it is important to understand that the United States has participated in the European economy for many years. It not only has sold goods in the Union, it also has been an active participant through its investment and locations of its production, research and administrative facilities. Because of this active and largely positive presence, most American producers will not be singled out for discriminatory practices. Also significant is the fact that the large investment that Americans have made in the EU will protect them from barriers and will cushion the effects of the SEM.

The SEM and Japan. Since World War II, Japan has concentrated on developing trade with countries in the Pacific Rim and with the United States. Although the EU's economic relationships with Japan have expanded recently, it has not been in a symmetrical fashion. Imports from Japan rose from less than 1% of total imports in 1963 to approximately 3.4% in 1985. The EC's exports to Japan, however, rose from 1% of total exports to only 1.2% during the same period.

The EU often complains that its large negative trade balance with Japan is attributable to Japan's trade policy (e.g., the degree of protectionism). The Union maintains that Japan must integrate better into the world economy and assume the responsibilities of a great economic power. They have asked Japan to open up its markets for goods and services and to increase its direct investment in the Union. The Union emphasizes, that this should be "meaningful" investment and not merely operations that import most of the parts from Japan and simply assemble the product in the EU.

Japan insists that much of the trade imbalance is due to the Union's limited goals and effort. There are only about 2,000 Europeans promoting their products in Japan. On the other hand, Japan has taken a very aggressive role in trying to market its products in the Union as is evidenced by the nearly 33,000 Japanese business people promoting their products in Europe.

The EU has looked with some alarm at the way in which the United States forfeited some of its domestic markets (e.g., consumer electronics) to the Japanese and has made it clear that it does not intend to open its markets to certain Japanese products in the same way as the United States. In addition to member states' use of Article 115, the Union frequently has applied anti-dumping procedures against Japanese products. It is held widely that the Union specifically has targeted Japanese products for restrictive measures. In frequent private conversations about the "building blocks," sometime taken to be part of "Fortress Europe," EU representatives assure Americans that the measures are directed at Japan, not the United States.

Japanese business, responding to EU restrictions on Japanese imports and to their conviction that EC unification will bring more restrictive trade policies, have followed the example of the Americans by significantly increasing their investment in the Union in order to secure a position in the Union before the "Fortress walls are built". Initially, most Japanese investment in the EC was focused on the UK because of British investment incentives, but now it is starting to flow to other member states.

The Japanese have many of the same apprehensions about the SEM project as the Americans, i.e., quotas, the interpretation of rules of origin, and anti-dumping procedures. Their major concerns are with the Union's treatment of electrical goods and cars. Japanese car sales are restricted in some national markets (e.g., France, Italy, Spain, Portugal and the UK), but not in others. The EU has designed an EU-wide quota to replace national automobile restraints that will have a profound impact on Japanese exports. Japan also is worried that local content requirements might prove damaging to its trade surplus with the Union. The Japanese have been the victims of many of the Union's anti-dumping procedures and fear that the Union will expand their application of these procedures. But current EU policy calls for total liberalization of the national markets for Japanese cars by the year 2000.

While the Americans and Japanese may have similar concerns about the SEM project, they are not likely to be affected in the same way. The income effect of the SEM and harmonization of standards will affect Japan positively but Japan will not benefit as much because it does not have the significant investment in the EU that Americans have. Japan's limited investment does not give it the protection against swings in EU policy, and, because of its limited participation in the Union, it does not operate in the same positive trade environment that the Americans do. While most estimates predict benefits for the United States, they are not so positive for Japan. The Centre for International Economics (Australia) estimates that the SEM likely will reduce Japanese exports to the rest of the world by $700 million. They believe this will occur because of increased efficiency of Union firms which will make them more competitive at home and abroad.

One of the motivating factors behind the unification program was that it would enable the EU to assert its interests more strongly in its relations with Japan—historically a highly protected market. It remains to be seen whether this will be put into effect in the years ahead.

The SEM and EFTA. EFTA's growth paralleled the development of the EC. Both regions substantially reduced tariffs and created a free-trade area among its members. EFTA's share in EC exports and imports increased greatly in the period 1958-72 and has been stable since. When the United Kingdom left EFTA to join the EC in the late 1960s, a new relationship was defined between the two groups that resulted in a large European free-trade area, of which the EC was the core. The EC entered into bilateral agreements with the individual EFTA countries, but because of internal EFTA free trade, the benefits of the bilateral agreements were available for all of the countries. The result is that, since 1977, there has been full free trade in manufactured goods. Agricultural products were not included.

When the EC made plans to accelerate their unification efforts through the SEM project, EFTA became concerned that they might be left behind and encouraged even closer ties with the EC. In 1991 the two groups created a more formal framework for EC-EFTA relations called the European Economic Area (EEA), which extended the four freedoms of mobility of goods, services, capital, and people and adopted some of the EC programs regarding culture, education, research and development and environmental protection (Switzerland did not ratify this accord, however). Thus, the EEA adopted the fundamental components of the SEM but stopped short of full membership for the EFTA states. Recall, however, that four of the EFTA states applied for EU membership and that three accepted accession. Perhaps the remaining EFTA nations expect that the close association under the EEA will protect them from any discriminatory aspects of the SEM's external policy and will ensure them that they will prosper almost to the same extent as the EU member states. Accordingly, the SEM should be of considerable benefit to EFTA which will profit from the income effect as well as a closer economic relationship with the EU.

The SEM and Central and Eastern Europe. With the exception of East Germany, which now is reunited with West Germany, the EC did not have strong economic ties with Central and Eastern European (CEE) countries after World War II. The two dramatically different philosophies (i.e., socialism and capitalism) underlying the economies of CEE countries and the EC created friction in their economic relations. For some time the Soviet Union refused to recognize the existence of the EC, precluding any formal agreements between these two groups. The limited trade that did occur was between individual countries, not multilateral trade among the two regions. Relations improved somewhat under Gorbachev who recognized the EC's authority to negotiate with COMECON's individual members. After this, the EC granted COMECON countries trading concessions equal to those received by other GATT signatories. By 1986, trade had improved to the extent that 12% of COMECON exports were to the EC but only 7% of EC exports were to COMECON countries, the bulk of which was with the Soviet Union. The comparable figure for the much smaller EFTA countries was 25%.

The progress of the CEE countries in transforming their economies has been monitored closely. The EU has been quick to assist, determined to take the lead in this area. Considerable amounts of aid have been offered through Phare and other programs.

The EU also has assisted through support of the European Bank for Reconstruction and Development which was established in May 1990 by forty countries. The focus of the bank is only on the CEE counties, with it first assistance limited to a small number of countries. The bank is charged with facilitating CEE transition to market economies and has a capital stock of approximately $12 billion. The EU also has worked within key institutions such as the International Monetary Fund (IMF) and the World Bank. IMF assistance is used to bridge some immediate financial gaps, to strengthen the financial base of a country and establish a balanced fiscal policy. The World Bank provides aid that will help to stimulate growth and develop new policy alternatives.

Although they will be very helpful, the long-term success of the reforms in CEE does not depend on assistance programs, but the extent to which they develop their markets, receive direct private investment and have full access to the world economy. CEE markets are not well developed and at present there is considerable uncertainty about the freedoms and security with which private firms can operate in the CEE countries. Until currencies are stabilized, profits can be repatriated, and a reasonable non-discriminatory tax policy is developed, there will be limited interest.

Full access to Union markets will be of greatest benefit to CEE. It also would increase the credibility of market reform policies both at home and abroad. This will be a very difficult issue for the EU because it means exposing some of their weakest industries to competition from CEE. At this time, the CEE counties suffer from the EU's protection of its textile and clothing industries and its Common Agricultural Program which inhibits agricultural imports from CEE countries. The former EC's anti-dumping procedures also have been harmful. Of the forty-three procedures initiated in 1990 (up 60% over 1989) one third of them were directed at CEE countries, exceeding those against Japan. Many trade officials expect this number to continue to grow. These problems have been mitigated by some extent in Poland, the Czech Republic, and Hungary which have signed European Agreements on Trade.

The EU has presented CEE countries with conflicting policies. It has demonstrated the political will and resources to help through Phare and other assistance programs, but they have not opened their markets to these countries. As one Eastern European diplomat said, "...when it comes to making concrete [trade] concessions this political good will vanishes."

The CEE countries, though, are responsible for many of their own difficulties. It has been common for these countries to price their products exceptionally low in order to find a market for their products in the West. This usually draws serious objections from western producers. In addition, the Eastern European countries find they cannot export many of their goods to the West because of the poor quality of their products.

Like other areas, CEE countries will benefit from the income effect in the Union. This effect will be especially important in industries such as tourism, which require relatively small amounts of capital to develop and also have a high income elasticity of demand (i.e., a percentage increase in income will result in a much higher percentage increase in tourism spending).

The CEE countries also will be affected by terms of trade. Because of greater efficiencies in the EU, the price of Union exports to CEE will fall and higher EU demand could increase the price of CEE exports. At this time, however, trade between the two areas is not great enough for this to have a significant effect.

While changes in the EU will affect CEE countries, there also will be the opposite effect. Successful reforms in the CEE countries will stimulate the economy in the EU. Success also may create its own policy tensions as the EU begins to look more to the East than to the United States. Changes also will tax the economic resources of the EU as they assist with the reforms. Germany's difficulties only a few months after reunification give an insight into the difficulty of the transition process.

A question on the mind of many is whether CEE countries will be granted membership in a larger European Union. This would give the best long-term guarantee that selective trade policy would not be used against CEE and it would stimulate their growth. Full membership into the EU is unlikely at this time. The EU now is offering associate memberships, and this type of affiliation is a more likely possibility.

The SEM and the Less Developed Countries. The EU has established preferential trade agreements with many of the less developed countries (LDCs) through the Lomé Convention (ACP countries) and with most of the Mediterranean countries. As a whole, the LDCs export a significant portion of their products to the Union. According to Davenport (1991), in 1987, more than 30% of LDCs primary goods (e.g., raw materials) and more than 20% of their manufactured goods were sold to the Community. The Union purchases more than 50% of its textiles and tobacco and virtually all of their coffee, cocoa, tea and bananas from LDCs. The EC Commission promised that the SEM would have a large and positive impact on LDCs exports to the EU, but Davenport's estimates are less optimistic. Where it was possible to quantify, he projects that unification will increase LDC exports to the Union by 5.4%—a significant increase at first glance, but only 0.25% of the GDP of these countries. Most of the increased trade will occur because of the income effect. Although the income effect will expand trade, the increased efficiency of Union producers (i.e., the substitution effect) will reduce this somewhat. Davenport estimates that the net effect will be positive.

A second impact will be caused by changes in terms of trade, or in the prices of LDC-EU traded products. Because of projected decreases in prices of EU products, LDCs will pay less for the products they import. On the other hand, higher EU demand (income effect) inflates world prices for their products. Davenport estimates that the "terms of trade" effect of unification will increase the LDCs' income from exports to the EU by 2%.

These aggregate effects hide some of the specific effects of the SEM on individual industries. In the services industry, tourism, because it has a high income elasticity of demand, is likely to be affected most by unification. Also affected will be the clothing and textiles sectors. These industries traditionally have been the entree into manufacturing for developing nations. The EU, like the United States and most other developed nations, has regulated clothing and textiles imports. Most of these are based on Article 115 of the Treaty of Rome. The effect has been a plethora of quotas contained in a Multifibre Arrangement (MFA) that covers up to ninety-three products from each of seventeen developing countries and five centrally planned economies. Since Article 115 will be abolished with the advent of the SEM, there will be significant changes in this area.

It is difficult to predict the nature of restraints after the elimination of Article 115 and a newly negotiated MFA. Davenport (1991) estimates the effect of keeping overall restraints at the same level, but with member state control transferred EU level. This likely would increase the utilization of the quota and increase LDC textile exports to the EU by 4.0%. While the increases are significant in some cases, Davenport cautions that, for the developing countries as a whole, the gains are likely to be relatively modest and significantly less than the annual volume increases recorded over recent years.

Other protected industries in the Union (again, primarily through the use of Article 115) include footwear, consumer electronics, and ceramic tableware. Quotas are applied specifically to certain countries and in addition, some countries have been convinced to "voluntarily" limit their exports. This too will change with the SEM.

A final industry to consider is bananas. Through trade agreements, sometimes based on historical associations, ACP countries and the EU overseas territories have received special rights to export bananas to the Union. Without these agreements, it is commonly felt that Latin America would dominate the EU market as they do throughout the rest of the world (Latin American accounts for 71% of world banana exports). With the elimination of Article 115 and the opening up of the Union market in bananas, the ACP countries could be severely damaged. According to the Lomé Convention, "no ACP state shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favorable position than the past or at present". Thus, liberalization likely would be accompanied by measures to assist the ACP countries to overcome competitive disadvantages or to diversity into other areas. The gainers will be the banana producers in Latin America and the consumers. Already Latin American producers are preparing for a larger and more competitive market by expanding their acreage and investing in improved transport and packing facilities.

In addition to the impact on specific sectors, the Union's overall external policy will affect the LDCs. Protectionistic, discriminating policies will be especially damaging to the LDCs. They are individually least able to protect themselves from protectionism since they do not have the economic clout to threaten retaliation. But the likelihood of a significantly more liberal EU policy with respect to the LDCs is not encouraging. Italy, Spain and Portugal have taken strong stances against opening up these sectors to further imports from the LDCs.

The increased use of anti-dumping actions against developing countries is noteworthy. Anti-dumping duties have been imposed on steel from Brazil and Mexico, on South Korean video cassette recorders and on paint brushes from China. In the early 1980s, actions against firms in the LDCs concentrated on chemicals, steel products and building materials and largely affected the countries of South America. Anti-dumping actions can be quickly and effectively used by the EU to limit trade and because they are so difficult to defend, their increased use is especially bothersome to LDCs.

SUMMARY AND CONCLUSIONS

The SEM was intended, in part, as a response to economic pressures from the outside world. Now the SEM likely will have a dramatic impact on the world economic order. With a economy of nearly 370 million people and a GDP[3] that is just slightly less than that of the United States, it could significantly enhance its world leadership role.

The external policy of the EU is the result of compromises and adjustments, many times in response to arrangements with trading partners and former colonies made by member states prior to their joining the EC. Its external policy is modestly protectionistic. It seeks first to protect employment levels and sensitive industries in the short-run rather than to expose these industries to competition and more efficiency in the long-run. The act of opening up the domestic market for competition and for more choices and lower prices for the consumer is considered to be a concession. This outlook is fundamentally similar to the philosophy that underlies the trade policies of other major economic powers such as the United States and Japan.

In recent years, the Commission has taken a more active role in creating a distinctive EU external policy. The policy that is emerging has provoked strong concern in North America and the Far East, economies whose competitiveness initially sparked European interest for the SEM. It remains to be seen whether the EU will build a "Fortress Europe" or whether the SEM will lead to further liberalization in international trade. The EU has not shown any inclination to reduce its protection of sensitive industries and seems certain to keep its Common Agricultural Program intact. It also has substantially increased its use of anti-dumping procedures against both developed and developing countries. With the advent of SEM, there are some preferential trade relationships that exist between member states and third-world countries that will have to be abolished or subsumed in a common EU policy. Likewise, the member state imposed quotas (those permitted by Article 115 on products from specific countries will be abolished or incorporated as part of a Common External Tariff. Most likely these relationships will be changed in such a way as to minimize the effect on EU industries and their trading partners. Accordingly, some Union-wide restrictions to free trade can be expected.

In spite of many pressures to increase protection, this would be contrary to the overall interest of the EU because of its heavy reliance on world trade. To erect a "Fortress Europe" would be folly with respect to the long-term welfare of Europeans. But there is a difference between building higher barriers and removing barriers that already exist. Although the EU *seems* prepared to deregulate its economy internally, international deregulation is a step that the EU does not yet seem prepared to take.

Whether the SEM will be a good thing for the rest of the world depends on how a number of crucial issues are resolved. The process of setting technical standards, interpretation of rules of origin, definition of reciprocity, and the application of the principle of national treatment will be critical to exporters to and to investors in the EU. The benefits to the rest of the world also will depend on the internal success of the SEM. If there are significant increases in EU production, other nations will benefit through a stronger European demand for their products (income effect). Improvements in efficiency will produce lower EU prices and thus consumers from non-EU countries will benefit. Clearly, some countries stand to lose, especially those with special trade relationships that will be modified. However, countries with long-standing interests in the EU (such as the United States) probably will benefit from a stronger EU economy. This will produce an increased demand for exports and also for products their subsidiaries produced in the EU.

The SEM is being formed during a very interesting time. The GATT is under great pressure with major trading partners threatening to form regional trading blocs and forsake multilateral trade relationships that have been the framework for world market trade over the past four decades. The Central and Eastern European economies are undergoing dramatic reform after the seemingly sudden collapse of socialistic economies and the abolition of COMECON. The three major trade groups (Pacific Rim, North American and the EU) have increasingly threatened to take restrictive and sometimes retaliatory trade measures.

Given this changing international environment, one cannot predict accurately how the Union will use its influence as a world economic power. The question for many is whether Brussels will become the titular custodian of the international economic system, whether a Washington-Brussels alliance will emerge, or whether it will be a U.S.-EU-Japan triumvirate. In financial matters, a triumvirate is likely, but in trade matters, Brussels could become significantly more influential. However, the United States is unlikely to accept a secondary role. Because the Americans and Europeans share a similar vision of the design and direction of the world trading and competition system, it is more likely that a Washington-Brussels partnership will emerge.

The EU seems prepared to take the leading role in Central and Eastern Europe. The assistance it provides could be a major contribution to the health of the world's economic community. Unfortunately, the act that would most help the CEE countries (opening up EU markets to CEE producers) is one that the EU seems unprepared to do, at least for all countries. Many industries in the EU, especially those from the newest member states (Greece, Spain, and Portugal), seemed threatened by the potential of competition from less developed countries and will surely resist liberalization of markets.

Many factors will influence the development of the EU's policy, especially the health of its economy and the effectiveness of its unification efforts. A strong and vital economy improves the likelihood of a liberal policy. Its relationship with its trading partners also will be important. Alterations in U.S. and Japanese trade policy will have a dramatic impact on the Union's external policy. Also the future of GATT will have a major influence. If multilateral trade agreements become less important, the Union likely will strengthen the relationships among the countries within its own economic region, with higher barriers to the rest of the world. Major improvements in GATT will lead the EU to take a different approach.

Endnotes

1. This chapter was prepared while the author was a visiting professor at the European Institute of Public Administration in Maastricht, the Netherlands. He benefitted from their support and cooperation.

2. COMECON consisted of the following countries: USSR, German Democratic Republic, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Mongolia, Vietnam, and Cuba. Albania was a passive member and Yugoslavia took part in certain areas. Angola, Ethiopia, North Korea and Laos had observer status. In this chapter we treat COMECON as a CEE association

even though some of its members were not European. EU trade with Vietnam and Cuba has been very limited.

3. Figures on direct investment are pre-enlargement.

4. Technical regulations lay down legal requirements enacted by the national legislators. Often these requirements refer to standards that are not legally binding in themselves since they are written by private national standardization bodies. Although standards are only voluntary codifications, they often assume a quasi-legal status because of their use as a reference in technical regulations.

5. The OECD, Organization for Economic Cooperation and Development was formed in 1961 to promote economic growth, sound economic development and multilateral, non-discriminatory trade. The original member countries were the 12 EC countries, Austria, Canada, Iceland, Norway, Sweden, Switzerland, Turkey, and the United States. Subsequently, the following countries joined: Japan (1964), Finland (1969), Australia (1971) and New Zealand (1973).

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Chapter 8

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DOCUMENTS IN ERIC ON EUROPEAN UNIFICATION

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Vickie J. Schlene

Chapter 8

Documents in ERIC on European Unification

Vickie J. Schlene

The documents on European unification found in the following list can be obtained through ERIC. These items in the ERIC database can be recognized by the ED numbers that are printed at the beginning of the citations.

ERIC (Educational Resources Information Center) is a nationwide educational information system operated by the Office of Educational Research and Improvement of the U.S. Department of Education. ERIC documents are abstracted monthly in ERIC's *RIE (Resources in Education)* index. *RIE* indexes are available in more than 850 libraries throughout the country. These libraries may also have a complete collection of ERIC documents on microfiche for viewing and photocopying.

ERIC documents may be purchased from the ERIC Document Reproduction Service (EDRS), 7420 Fullerton Road, Suite 110, Springfield, VA 22153-2852, in microfiche (MF). Some documents may also be available in paper copy (PC). The telephone numbers are 703/404-1400 or 800/443-3742. The FAX number is 703/440-1408. When ordering by mail, be sure to include the ED number, specify either MF or PC, if available, and enclose a check or money order.

The ERIC documents included in this publication are merely a few of the many curriculum materials and background papers that can be found in the ERIC database on European unification. These items exemplify the large pool of documents on this topic that can be obtained through ERIC.

AN: ED365186
AU: Adams,-Charles-S.
TI: The Impact of the European Community on Higher Education in Ireland: A Case Study. ASHE Annual Meeting Paper.
PY: 1993
NT: 24 p.; Paper presented at the Annual Meeting of the Association for the Study of Higher Education (18th, Pittsburgh, PA, November 4-7, 1993).
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: As part of a larger study of the European Community (EC) initiatives and their effect on higher education policies and policy-making in all member countries, this case study examines EC impact on higher education in Ireland. Ireland was chosen as a possible example of how EC will impact higher education as it is one of four countries expected to be net beneficiaries of EC funds. Ireland has already received 5 billion Irish pounds (1989 to 1994) and expects to receive 7.8 billion more between 1994 and 1999. The study used qualitative methods to gather information in interviews with senior government officials, the national higher education governance board, and relevant people at most of the campuses of the national system of higher education. During the decades since the 1950s dramatic increases in the numbers of Irish individuals attending secondary and higher education have occurred especially since joining the EC in 1974. This extraordinary change would not have been possible without EC membership which made it financially feasible. In all universities in Ireland there is widespread knowledge of various EC educational programs and participation in these programs has had various impacts. Both direct and indirect effects on curriculum and faculty were found. Overall, there have been changes in funding patterns that have led to the reshaping and recomposition of the entire higher education system. (Contains seven references.) (JB)

AN: ED315641
AU: Banks,-J.-A.-G.; And-Others
TI: The Single European Market and Its Implications for Educational and Vocational Guidance Services. CRAC Occasional Paper.
CS: Careers Research and Advisory Centre, Cambridge (England).
PY: 1989
NT: 25 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: By 1992, the Single or Common Market in Europe will provide freedom of movement of goods, persons, services, and capital. From the viewpoint of educational and vocational guidance services, the most important effect of the Single Market is its likely impact on educational and occupational mobility. The two major obstacles toward freedom of movement within the European community that remain are nonrecognition of qualifications from one member state to another and inadequate mastery of foreign languages. Two major education and training programs, COMETT and ERASMUS, have been established by the European Community. COMETT provided funds for the development of university-industry partnerships nationally and transnationally, and for a range of exchanges, joint projects, and joint development work designed to promote gradual Europeanization of university-level technical training. The aim of ERASMUS is to ensure that all students in higher education are able to study for part of their course in another member state. A new program, LINGUA, has been adopted to improve the qualifications and competence of modern language teachers, develop interuniversity cooperation in modern language teaching, and support the development of modern language learning in firms. The following are three practical implications of these trends for educational and vocational guidance services: (1) the need for extended information on educational and occupational opportunities across the European community; (2) the need for improved support services for those who move across national boundaries; and (3) the raising of expectations for guidance services in countries where they are currently ill developed. (Initiatives are described and six references are included in the document.) (CML)

AN: ED291375
AU: Bates,-A.-W.
TI: The Organisation and Management of a European Educational Satellite System.
PY: [1987]
NT: 18 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: This paper looks at the possible roles that the European Economic Community (EEC), as a pan-European quasi-governmental institution, might play in the management and organization of a European educational satellite system. The argument is made that there is a need for the EEC Commission to play an ongoing, regulatory role in this area. An examination of ways in which education and training

might gain access to a satellite distribution system leads to a discussion of low-powered services and direct broadcasting services, including national systems, pan-European satellites, and possibilities for educational services on the ESA (European Space Agency) Olympus satellite, an integrated European-wide DBS (direct broadcasting services) system planned for the near future. The roles of different types of organizations in getting a satellite service operational are described, including international regulatory agencies, international consortia, governments, satellite owners and operators, channel operators, and program producers. Economic models for education and training on satellites are also described, i.e., the commercial model, the "must carry" model, and state ownership. Discussion of operating models for providing an educational service covers a free-for-all situation and an educational channel, and descriptions of several ways in which an EEC educational channel could operate includes open access for educational producers and a public service channel. It is concluded that there is a need for a consortium to bring educational television providers together, with the EEC providing baseline funding and a framework in which to encourage the development of an educational satellite channel. (EW)

AN: ED352805
AU: Berns,-Margie
TI: The Role of English in Europe: EIL or EFL?
PY: 1992
NT: 12 p.; Paper presented at a Conference on World Englishes Today (Urbana, IL, April 1-3, 1992).
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: The European Community (EC) openly supports use and maintenance of the major languages of its countries. One idea behind this support is not to privilege any language of the community, but to encourage the unique features of each member state. This policy carries over into support for diversified language instruction; rather than promote one or two languages, all official languages, plus Irish and Lutzburgesch, are to be taught. The goals are both proficiency and communicative competence. However, this policy has been difficult to implement because English dominates among EC officials as well as in many other domains. In education, English is one of the two languages chosen or required in most member countries. Increasing interdependence among members makes the role of this language an important issue. English is used for communication both within and outside Europe, and some aspects of EC policy encourage English usage. Language policy and practice, then, appear to be in conflict, and policy should be changed to reflect the reality of widespread English use. A brief bibliography is included. (MSE)

AN: ED363425
AU: Carroll,-Jan; Williams,-Sarah
TI: Child Welfare in Europe. 1993: Implications for Adoption. Report of a Seminar (Brussels, Belgium, March 1993).
CS: European Forum for Child Welfare, Brussels (Belgium).
PY: 1993
AV: European Forum for Child Welfare, 1 Rue Defacqz, B-1050, Brussels, Belgium (650 BFr, 12.50 British Pounds, includes postage).
NT: 75 p.
PR: EDRS Price - MF01/PC03 Plus Postage.
AB: In 1992, the first year of the establishment of the European Forum for Child Welfare (EFCW), the European Commission sponsored a seminar on European Community (EC) implications for adoption and fostering. The seminar was organized to enable practitioners, legislators, and policymakers within the EC to start a dialogue on current adoption processes, practices, and procedures, and to establish baselines of information on current practice and procedure within the member states. This report contains seminar presentations, and is divided into the following eight sections: (1) legal aspects and safeguarding the rights of adopted children; (2) approval and preparation of applicants to adopt; (3) matching of child and family; (4) perspectives of adopted children; (5) placement of special needs children; (6) workshop themes and findings; (7) recommendations; and (8) an overview of responses to a questionnaire on European adoption practices. Appendixes include the questionnaire sent to all seminar participants prior to the seminar; a list of participants; the seminar program; information on the Hague Conference on Private International Law; and a preliminary draft convention on international cooperation and protection of children with respect to intercountry adoption. (MM)

AN: ED310747
AU: Crabb,-Geoffrey
TI: The Production of Software for Distribution in EEC Countries. Copyright and Contract Issues.
CS: Council for Educational Technology, London (England).
PY: 1988
NT: 15 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: This pamphlet begins by discussing two legal issues to be considered when negotiating and formalizing the production of computer programs for distribution within ECC (European Economic Community) countries: protection of the program against unauthorized copying, and the nature of the contracts to be prepared. It is noted that all member states of EEC have distinctive copyright laws designed to meet their own needs, and that, as signatories of the Berne convention, they are required only to protect the works of other member states to the same extent as their domestic product. The producer is advised to accept that, although software is likely to be protected in every EEC state, the character and extent of protection will vary from one to another, and that any attempt to protect software by preventing the transfer of tapes or discs across frontiers may be unenforceable under Treaty of Rome provisions. Discussion of the preparation of enforceable contracts acceptable to all parties emphasizes that this is a complicated issue, especially where parties are established in different countries. The producer is advised to seek advice from a lawyer familiar with international contract law, and to settle the various issues that make up the agreement in advance so that the lawyer is required only to prepare a document reflecting the deal and to advise on any outstanding problems. An outline of 12 main points that should be agreed upon and included in the agreement concludes the guide, and a list of the EEC countries with a brief note on protection of computer software in each country for which the information is available is appended. (BBM)

AN: ED365171
AU: Crosson,-Patricia-H.
TI: Higher Education Policy Formation in the European Community. ASHE Annual Meeting Paper.
PY: 1993
NT: 22 p.; Paper presented at the Annual Meeting of the Association for the Study of Higher Education (18th, Pittsburgh, PA, November 4-7, 1993).
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: The European Community (EC) is continually increasing its influence in all areas of European society, politically, economically, and now educationally. The future, it is argued, may see the EC as a supra-national policy maker for higher education as significant, as are national governments at the present time. This paper examines the role of the European Community (EC) in policy formation for higher education. Results of formal interviews with EC officials, faculty members, and higher education association representatives are

presented, as are examinations of treaties and other formal documents which stipulate the power and authority of the EC. The report is divided into three sections. The first section explains the study's conceptual framework and methods. The second section describes the EC, its programs and activities in the area of higher education. The third section focuses on the question of what is, and what should be, the role of the EC in the processes of policy formation for higher education. The EC is discussed in its roles as starter mechanism (in initiating plans, programs, and activities) as policy influencer and as policy shaper. The EC is expected to be the driving force of a new European structure in higher education. (Contains eight references.) (GLR)

AN: ED331766
AU: Eide,-Kjell
TI: 30 Years of Educational Collaboration in the OECD.
CS: United Nations Educational, Scientific, and Cultural Organization, Paris (France). Div. of Educational Policy and Planning.
PY: 1990
AV: United Nations Educational, Scientific, and Cultural Organization, 7, Place de Fontenoy, 75700 Paris, France.
NT: 60 p.; Prepared for the UNESCO International Congress on Planning and Management of Educational Development (Mexico City, Mexico, March 26-30, 1990).
PR: EDRS Price - MF01 Plus Postage. PC Not Available from EDRS.
AB: Although its main focus is on economic collaboration, the Organisation for Economic Cooperation and Development (OECD) has played a very influential role in the exchange of educational ideas and experience on an international level. It also is true that while OECD involves the nations of the European Community, Norway and Sweden have had a disproportionate influence. The principal purposes of this study are to explain how the OECD came to play its influential role in educational policy, and how the exchange of educational ideas and experiences within the organization came to be strongly influenced by the policy thinking and practice of the Nordic countries. (DB)

AN: ED220993
AU: Elvin,-Lionel, Ed.
TI: The Educational Systems in the European Community: A Guide.
CS: Commission des Communautes Europeennes (Luxembourg).
PY: 1981
AV: Humanities Press, Inc., Atlantic Highlands, NJ 07716 ($21.00).
NT: 271 p.
PR: Document Not Available from EDRS.
AB: The guide outlines the structure of the educational systems of member countries in the European Community. Chapters cover the following countries: Belgium, Denmark, West Germany, France, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom. Usually covered for each country's educational system are general principles; preschool, primary, and secondary education; technical and vocational education; higher education; and adult/continuing education. Other topics addressed include the following: teacher training, administration, examinations and marks, universities, curriculum, historical background, and special education. Charts illustrating organizational structure of the educational system complete each chapter. (SW)

AN: ED328730
TI: Europe: A Labour Market without Frontiers.
CS: European Centre for the Development of Vocational Training, Berlin (West Germany).
PY: 1989
JN: Vocational-Training; n3 1989
NT: 48 p.; Photographs will not reproduce well.
PR: EDRS Price - MF01/PC02 Plus Postage.
AB: The six articles in this journal issue were all designed to provide an objective presentation of the framework within which the European Centre for the Development of Vocational Training (CEDEFOP) is charting a course toward establishing a common training policy and creating a single market in 1993. The first article, "Information on Qualifications" (Enrique Retuerto), discusses the need for a reference framework of what each qualification means in terms of the skills required by an occupation. A paper called "The Recognition and/or Comparability of Non-University Vocational Training Qualifications in the Member States of the European Communities" (Burkart Sellin) examines the inherent possibilities and requirements of a European Community general regulation on mutual recognition. "Mastering Metals—Problems in Analysing and Classifying 'New' Technical Jobs in Metalworking" (Peter Grootings et al.) reflects the present state of work in this area. "A European Directory of Occupational Profiles" (Peter Grootings) offers some notes about the concepts, methodology, and organization of the directory. "Study of Occupational Profiles in the Electronics Sector" (Gumersindo Garcia Arribas) presents results of a pilot study in Spain. Finally, William McDerment's paper, "Some Reflections on Education and Training," comments on the need for vocational training, training to allow mobility within the Community Member States, and preparing for the future. A protocol entitled "Council Decision on the Comparability of Vocational Training Qualifications between Member States of the European Community" concludes the document. (YLB)

AN: ED284783
TI: European Community Education Cooperation: The First Decade.
CS: Commission des Communautes Europeennes (Luxembourg).; EURYDICE Central Unit, Brussels (Belgium).
PY: 1986
NT: 23 p.; Colored photographs may not reproduce well.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: Nearly one-third of the European Community population of 320 million is involved daily with some form of education. The Community Education Action Programme celebrated its tenth anniversary in February 1986. The initial thrust was to increase mutual understanding and promote closer relations between the different education systems of member states. In response to the harsh economic and political realities of the late 1970s/early 1980s, the Community recognized the importance of additional commitments to tackle the growing problems of youth and unemployment. From the mid-1980s the priorities of the Programme have been influenced by the need for policies to develop human resources as an essential prerequisite to cooperation within a People's Europe and to face the challenge of developing a European Technological Community able to compete with the United States and Japan. Chapters are: "Historical Development"; "Overview of the Education Programme in the European Community"; "Transition of Young People from School to Adult and Working Life"; "Equal Opportunities for Girls and Boys in Education"; "Education and Training of Migrant Workers and Their Families"; "The Teaching of Foreign Languages"; "The Introduction of the New Information Technologies"; "Cooperation in the Field of Higher Education"; "Information Exchange: EURYDICE, Study Visits, Conferences, and Seminars"; "Illiteracy"; "Handicapped Children"; "Europe in the Schools"; "Conclusions"; and "Information Sources". (Author/BZ)

AN: ED352022
AU: Figueiredo,-Antonio-Dias-de; Steele,-Rosalind
TI: A Trans-European Network for Education and Training.
CS: Commission of the European Communities, Brussels (Belgium).
PY: 1992
NT: 27 p.; Paper presented at the Faro Forum (Portugal, March 1992).
PR: EDRS Price - MF01 Plus Postage. PC Not Available from EDRS.
AB: This paper proposes a communication network for the European Community and beyond which would provide a unique meeting point for participants from the fields of education, training, technology, research, industry, and service to engage in productive forms of dialogue and collaboration; which would be financially self-supporting after a few years; and which would allow for monitoring of its own performance and impact. Highlighted topics include (1) access to new know-how; (2) a network for European Community (EC) programs; (3) what the network will be like, i.e., bulletin boards, access to services, and running a forum; (4) a BBS that would serve as a practical model for the network using standardized communication services, home computers, and existing telephone lines; (5) language issues, i.e., systematic language translation and multi-lingual materials; (6) strengthening cooperation between education and the private sector; and (7) funding, costs, and assessment. (Contains 25 references.) (ALF)

AN: ED368912
AU: Girones,-Salvador-Gil, Ed.
TI: European Seminar: "New Training Models and Strategies for SMEs in Europe" (Valencia, Spain, October 4-5, 1993).
CS: European Centre for the Development of Vocational Training, Berlin (Germany).
PY: 1994
JN: CEDEFOP-Flash; n1 Mar 1994
NT: 17 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: A seminar disseminated and discussed the findings of a study carried out on the problems of small and medium-sized enterprises (SMEs) in accessing training and the support strategies applied in the 12 member states of European Community. Input was solicited from experts regarding the priorities of 11 strategies. Organizers used this information to conduct six roundtables on market orientation, new approaches to training, training of SME organizers and trainers, cooperation for training, self-employment and cooperatives, and employers' associations and sectoral organizations. They also organized two lectures on support initiatives for national and transnational SMEs and SME support measures employed by the autonomous government of Valencia, Spain. A number of general conclusions were drawn in the seminar and led to these recommendations: to encourage a positive social climate in the SMEs that will stimulate continuous training; to base training on a consistent and more business-oriented approach; to give the small entrepreneur enough information to select the most appropriate training; to transcend the traditional concept of training; to promote development of training products adapted to concrete objectives; to strengthen the occupational profile of the SME trainer; to promote cooperation between SMEs; and to stimulate training supply and demand through public support measures. (YLB)

AN: ED366724
TI: Guide to the European Community Programmes in the Fields of Education, Training, Youth. Second Edition.
CS: Commission of the European Communities, Brussels (Belgium).
PY: 1993
AV: UNIPUB, 4661-F Assembly Drive, Lanham, MD 20706-4391 (Catalogue No. CY-71-91-736-EN-C).
NT: 87 p.; Prepared by the Task Force for Human Resources, Education, Training and Youth.
PR: EDRS Price - MF01/PC04 Plus Postage.
AB: This guide to European Community (EC) programs in the fields of education, training, and youth is intended to help interested individuals, projects, and institutions obtain information on the increasing scope of cooperation at the EC level. Section 1 describes programs/actions initiated by the EC's Task Force for Human Resources, Education, and Training and Youth in the following areas: cooperation in the field of education, language teaching, higher and university education, central and Eastern Europe, initial training, continuing training, and youth, as well as exchanges of information and experience regarding education in the EC (information network on education in the European Community—Euridice; study visits for education specialists—Arion; and the European Centre for the Development of Vocational Training—Cedefop). Section 2 outlines efforts to achieve mutual recognition of qualifications and diplomas by EC countries. Discussed in section 3 are programs implemented within the framework of other EC policies, including three programs funded by the European Social Fund, experimental training schemes, three programs to promote research, and an initiative to teach European integration at universities. Each program description includes some or all of the following: objectives, role, actions, target group, source(s) of further information, references, and contact point(s). Addresses of offices of the Commission of the European Communities in 12 countries are included. (MN)

AN: ED311488
AU: Holtz-Bacha,-Christina
TI: How to Sell a Powerless Parliament—Symbolic Politics during the European Election Campaign.
PY: 1989
NT: 27 p.; Paper presented at the Annual Meeting of the International Communication Association (39th, San Francisco, CA, May 25-29, 1989).
PR: EDRS Price - MF01/PC02 Plus Postage.
AB: A study examined the role of the mass media in the symbolization process (a process which was necessary to distract attention from the political and economic problems of the European Community and to enhance support of the powerless parliament) during the European election campaign of 1984 and whether symbolization strengthened the motivation for voting. Subjects, 1,413 individuals representative of the West German electorate, were surveyed and interviewed in three waves preceding the election and one wave after the election concerning their views on the election. Results indicated that (1) Euro-specific political or entertaining television programs played a significant role in the symbolization process; (2) the media's impact on voting intervention was mainly mediated through the attitudes towards a "United Europe" and the European Parliament; and (3) a greater influence on the symbolization process was assigned to television during the campaign. (Five tables of data are included.) (RS)

AN: ED318649
AU: Hooghoff,-Hans
TI: Embedding the European Dimension in Education.
PY: 1989
NT: 7 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: The Ministers of Education of the European Community (EC) drafted a resolution in May 1988 regarding the consolidation of the European dimension in education. The resolution is meant to contribute to young people (1) becoming more aware of the European identity and the value of

European civilization and of its foundations; (2) realizing the advantages of the European Community and the challenges they will encounter on gaining access to a larger economic and social territory; and (3) improving their knowledge about the historical, cultural, economic, and social aspects of the EC and its member states and realizing the significance of the cooperation among member states and other countries in Europe and the rest of the world. Since teachers play a key role in actual educational innovation, teacher training colleges should be involved in plans for implementation of the European dimension in an early stage. The limits and possibilities of the individual teacher also should be taken into account. And finally, a national plan must be developed and carried out within the formal educational system. The action plan for implementation of this new policy in the Netherlands involves (1) the evaluation of teaching materials on the European dimension; (2) the development of a core curriculum; (3) the design of testing instruments, the revision of existing teaching material, or the development of new materials; (4) the involvement of teacher training colleges; (5) the development of small regional in-service training centers for teachers; (6) teachers' conferences for information exchange; and (7) the contacts with educational publishers. (JB)

AN: ED354373
AU: Jones,-Hywel-Ceri
TI: Education in a Changing Europe.
PY: 1992
NT: 24 p.; Charles Gittins Memorial Lecture presented at the University College of Wales (Swansea, Wales, United Kingdom, March 16, 1992).
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: A frontier-free European Community (EC) has been created in which goods, capital, services, and people move freely across national frontiers. The issue of mobility is especially important for young people eager to exploit the opportunities opened up and for teachers and trainers in the educational field. A European dimension is now a necessary part of the educational experience of all young people growing up in the EC. In addition, skill levels in each region must be raised so that each region can better sustain its own economic development, attract new industries, and arrest the flow of qualified workers out of the region. Educational planning needs to take account of the current idea that the role of the school is to provide children with the basic competencies and attitudes on which broad-based qualifications can be built and the foundation laid for later training and retraining for employment. Vocational education must be restored to a place in the scheme of things as one of the broad options youth are encouraged to consider. The centerpiece of European strategy for the remaining 1990s must be to widen access to and participation in continuing education and training throughout working life. Although the traditional functions of higher education are more needed now than in the past, an organized and much more deliberate commitment to continuing education and training and lifelong learning must become a centrally recognized task of higher education. (YLB)

AN: ED336364
AU: Le-Metais,-Joanna
TI: Initial Teacher Training in the European Community: An Overview.
CS: National Foundation for Educational Research, Slough (England).
PY: 1991
AV: National Foundation for Educational Research (NFER), The Mere, Upton Park, Slough SL1 2DQ, Berkshire, England (5 British pounds).
NT: 42 p.; Copyrighted by the Education Policy Information Centre (EPIC Europe) and NFER.
PR: EDRS Price - MF01 Plus Postage. PC Not Available from EDRS.
AB: This overview is intended to serve as a guide to readers in England and Wales who are not familiar with the initial training and qualifications of teachers in other member states in the European Community. The guide covers programs in Belgium (Flemish community), Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and the United Kingdom—Scotland. The text is presented on a country by country basis and is structured under five headings as follows: (1) types of school; (2) categories of teacher according to training and type of school; (3) requirements for admission to teacher training; (4) teacher training process, outlining the level, length, and content of teacher training for each category of teacher; and (5) qualifications that accord qualified teacher status. An insert provides this same information for England and Wales. (AMH)

AN: ED336363
AU: Le-Metais,-Joanna
TI: The Recruitment and Management of Teachers in the European Community: An Overview.
CS: National Foundation for Educational Research, Slough (England).
PY: 1991
AV: National Foundation for Educational Research (NFER), The Mere, Upton Park, Slough SL1 2DQ, Berkshire, England (5 British pounds).
NT: 49 p.; Copyrighted by the Education Policy Information Centre (EPIC Europe) and NFER.
PR: EDRS Price - MF01 Plus Postage. PC Not Available from EDRS.
AB: This overview is intended to serve as a guide for readers who are not familiar with the employment and management of teachers in the member states of the European Community. It limits itself to general regulations governing the employment of teachers of pupils of statutory school age and up to age 18 in mainstream schools. The overview covers programs in Belgium (Flemish community), Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom—England and Wales, and United Kingdom—Scotland. The text is presented on a country by country basis and structured to reflect the key characteristics of the management of teachers as follows: (1) responsible authorities; (2) school types; (3) categories of teacher; (4) teacher status; (5) teacher numbers; and (6) recruitment and appointment. (AMH)

AN: ED332836
AU: Liegois,-Jean-Pierre
TI: The CDCC Teacher Bursaries Scheme. European Teachers' Seminar on "Towards Intercultural Education: Training for Teachers of Gypsy Pupils" (Benidorm, Spain, June 9-13, 1989).
CS: Council for Cultural Cooperation, Strasbourg (France).
PY: 1990
NT: 72 p.
PR: EDRS Price - MF01/PC03 Plus Postage.
AB: The Council of Europe's third seminar on Gypsy and migrant children's education attracted 75 educators from 6 European countries. This report provides a synopsis of each of eight plenary lectures and complete reports from four workshops. An introduction offers background information and an opening address by Jean-Pierre Liegois is given in full. Among points made in this address are the following: (1) the education of Gypsy and migrant children is of relevance across Europe; (2) in the European Community's member states, only a minority of Gypsy children attend school with any regularity; (3) teacher-training development and intercul-

tural education are of pivotal importance at a time when widespread educational reform is gaining momentum in many countries; (4) consideration of the problem has been evident through international meetings, publications, and studies; (5) objectives of initial and inservice teacher training need to be examined and clarified; and (6) issues of intercultural educational policy should be raised and curriculum revised to bring European education from ethnocentric labeling to pedagogical pluralism. The titles of the seminar's lectures are as follows: (1) "The Intercultural School in Organizational Models of the Twentieth-Century School"; (2) "The Intercultural: From Theory to Practice"; (3) "School Provision for Gypsy Children in Andalucia: Practice, Achievements, and Plans"; (4) "The Intercultural Approach to Working with Irish Travellers"; (5) "Training Projects in Catalonia"; (6) "A Training Project in Valencia"; (7) "Studying Inter-Ethnic Relations in the School"; and (8) "Attitudes and Prejudices of Teachers and Pupils Regarding Other Peoples and Cultures." Finally, each of the work groups defined needs for more intercultural teacher training and curriculum, and more information programs. (TES)

AN: ED333849
AU: Mc-Daniel,-Olaf-C.
TI: Towards a European Higher Education Policy? Possibilities and Potentialities.
CS: Netherlands Ministry of Education and Sciences, The Hague.
PY: 1990
NT: 47 p.; Paper presented at the Conference of the European Association of Research and Development in Higher Education (6th, October 1-5, Berlin, Germany). For related documents, see HE 024 704-708.
PR: EDRS Price - MF01/PC02 Plus Postage.
AB: One of a series of studies related to the Delphi research project: "Policy Instruments for Higher Education in the Western Europe of the Future", this paper presents the issue of internationalization of European higher education through three types of data. First, analysis of present European Community (EC) initiatives on education showed that a number of successful programs have already developed. However, the next stage of cooperation cannot be established without coordination between the higher education structures within various countries. Second, an analysis of the results of a survey of 700 experts from 17 countries concluded that for some areas the expectations for a European higher education policy are auspicious. Yet, another layer of bureaucracy may not help produce quality higher education. A review of the United States higher education structure in which the states have primary responsibility while the federal government imposes some policies, found that such a structure may serve as a model. But, conditions in Europe may not be favorable for such a system. The results of these examinations indicate that the current changes in Europe call for a supra-national higher education policy, that a supra-national body should have a stimulating, not administrative function, and that there exit several important obstacles to this type of education policy. Notes and 33 references are included. (JB)

AN: ED333847
AU: Mc-Daniel,-Olaf-C.
TI: Higher Education Policy in the Europe of the Future. Towards an Agenda for European Higher Education Policy.
CS: Netherlands Ministry of Education and Sciences, The Hague.
PY: 1990
NT: 50 p.; Paper presented at the European Community-Conference "Higher Education and 1992: Planning for the Year 2000" (Sienna, Italy, November 5-7, 1990). For related documents, see HE 024 704-709.
PR: EDRS Price - MF01/PC02 Plus Postage.
AB: One of a series of studies related to the Delphi research project: "Policy Instruments for Higher Education in the Western Europe of the Future", this paper presents material for the discussion and formulation of a European higher education policy in light of the single market introduction in 1992. The first chapter, "Hypothesis and Problem Formulation", proposes that the development of Western Europe calls for a supranational oriented higher education policy and suggests five questions that flow from that hypothesis. The second chapter, "The EC (European Community) and Higher Education" focuses on EC activities and EC higher education in practice. The third chapter, "Towards a New European Higher Education Policy", outlines results of a study which surveyed 700 higher education experts, and offers suggestions regarding the major obstacles to enhance internationalization (maintaining national autonomy, languages, recognition of courses). This chapter also reviews previous attempts, possible scenarios, and the export of student grants and loans. The fourth chapter, "The U.S. Case: the Potentiality of Federal Higher Education Policy," assesses the balance of power within the U.S. system and its favorable aspects. The final chapter, "Towards an Agenda for European Higher Education Policy," offers a series of recommendations, a list of possible barriers, and a review of conclusions. Thirty-seven references are included. (JB)

AN: ED317070
AU: Martin-Bletsas,-Jean, Ed.
TI: The Teaching of Languages in the European Community.
CS: EURYDICE Central Unit, Brussels (Belgium).
PY: 1988
NT: 173 p.
PR: EDRS Price - MF01/PC07 Plus Postage.
AB: Data on modern language instruction in each member country of the European Community are presented, largely in tabular form with some narrative. The number of tables provided for each country varies according to educational system, and data are arranged to facilitate comparison between countries. The conclusions of the Council of the European Community and the ministers of education meeting within the Council in June 1984 are appended. A summary of main points drawn from the data includes the following: There is little provision for language teaching at the primary level, and instruction is usually by a general primary teacher with little language teaching qualification; the majority of students in all countries can study at least one language from the beginning of secondary education; the most widespread first foreign language is English or, in English-speaking countries, French; in most countries, pupils can learn a second foreign language, although not usually from the first year of secondary education; the choices available for second language study are usually German, Spanish, Italian, English, and French; in some member states, students can learn a third foreign language; the secondary level teacher is a specialist in at least one language. (MSE)

AN: ED316644
AU: Melis,-A.
TI: European Seminar on the Development of the Competencies of Trainers and Organizers of Training Programmes for SMES (Berlin, West Germany, June 7-8, 1989). CEDEFOP Flash 7/89.
CS: European Centre for the Development of Vocational Training, Berlin (West Germany).
PY: 1989
NT: 16 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: This document summarizes the proceedings of a 2-day conference on training in small and medium businesses in the European Economic Community. Some of the topics discussed by the speakers include distance learning and the importance of training for owners and managers of small and

medium enterprises. A series of guides that have been prepared to help organizations improve training was also introduced. The five guides include (1) a general guide to the development of trainer competency for the creation of effective small business training programs; (2) a guide to the basic competency requirements for developing training programs to stimulate pre-start-ups; (3) a guide to the basic competency requirements for developing effective training programs to assist small business start-ups; (4) a guide to the competency requirements for developing training programs for businesses under 50 employees; and (5) a guide for trainers to help small firms cope with the creation of the European Market in 1992. A topic of workshops at the conference was the small business trainers and training organizers who need to improve their competencies and the main obstacles encountered when trying to do so. Ways that the guides could be used to improve training competencies were examined. Finally, amendments to make the guides more accessible were suggested. (KC)

AN: ED330007
AU: Neff,-Bonita-Dostal; Brown,-Robert
TI: The Development of Public Relations To Meet the New European Market.
PY: 1990
NT: 16 p.; Paper presented at the Annual Meeting of the International Communication Association (Dublin, Ireland, June 22-29, 1990).
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: The development of public relations follows when economic development and democracy thrive. EC 1992, with its plans for the European Common Market Community, is a public relations opportunity for U.S. public relations firms. In a survey of 31 firms, 6 owned or were owned by networks, 17 had membership in a network, 8 had no public relations network, and two-thirds indicated that EC 1992 was a great opportunity. In addition to network membership, firms are increasing personnel and opening offices with expansion spilling over into the Scandinavian and Eastern Block. The four most frequently mentioned qualifications for the personnel involved in EC 1992 were international relations/culture, business experience, public relations, and language. The second highest group of qualifications included good communication, media relations, and writing skills. Academic background most expected would be business, liberal arts (communication is placed in this category), and journalism. However, concerns were expressed about public relations professionals being trained as "craftsmen" and later having to be trained to "think" on the job. In Europe, the opposite is true, and executives suggested that this latter sequence was preferred. These findings have a number of implications for public relations curriculum development in U.S. colleges and universities. (Eight tables of data are included, and the survey is attached.) (Author/SR)

AN: ED333224
TI: New Challenges in the Education and Training of the European Workforce. Presentations. A Seminar for EC and EFTA Countries on Policies for Education and Training of the Labour Force in a Changing European Economy (Stockholm, Sweden, June 13-14, 1990).
CS: National Swedish Board of Education, Stockholm.
PY: 1991
NT: 91 p.; For related reports, see CE 058 310-311.
PR: EDRS Price - MF01/PC04 Plus Postage.
AB: This report is a collection of 10 papers presented at a seminar attended by delegates of European Community and European Free Trade Association (EFTA) countries to discuss policies for education and training of the labor force. Four papers make up the section, "Policies for Achieving Human Resources Development and Lifelong Learning in a Changing Labour Market": "Welfare State, Education, and Responsiveness" (Haavio); "Human Resources Management in Ireland—The Role of FAS" (Leahy); "Competence Development within the Volvo Group" (Keen); and "Defining the Training Needs—The SAS Case" (Bevort). The section titled "Right and Access to Training in Post-Industrial Societies" contains three papers: "Educational Leave and Study Assistance in Sweden" (Rubenson); "Investing in People: The British Approach" (Grover); and "Present and Future Vocational Training Needs" (Terrier). Three presentations are included in the section "The Adult as a Learner: Towards New Trends in Workplace Learning": "Development Trends in Vocational Continuing Training in the Federal Republic of Germany" (Sauer); "Computer Integrated Manufacturing and Continuing Vocational Education and Training" (Schneeberger); and "Vocational Training Programs on the Workplace in Greece" (Sofianopolous). (YLB)

AN: ED333223
TI: New Challenges in the Education and Training of the European Workforce. Final Report. A Seminar for EC and EFTA Countries on Policies for Education and Training of the Labour Force in a Changing European Economy (Stockholm, Sweden, June 13-14, 1990).
CS: National Swedish Board of Education, Stockholm.
PY: 1991
NT: 90 p.; For related report and presentations, see CE 058 310-312.
PR: EDRS Price - MF01/PC04 Plus Postage.
AB: This report provides presentations from a seminar attended by delegates from all the European Community and European Free Trade Association (EFTA) countries to discuss policy planning for education and training. "The European Skill Gap—Introductory Comments" (Abrahamsson, Henriksson) provides an overview of the seminar and topics covered: the European skill gap, national and supernational policies, access- or policy-oriented models, new ways of learning in the workplace, and comparative issues. "Opening Speech" (Persson) reflects on five main policy issues, the: (1) importance of labor market policy for economic policy; (2) choice between an active or passive labor market policy; (3) importance of the education system, personnel training, and employment training in the economic development of all industrialized countries; (4) policies for access and equity; and (5) democratization of working life. "Continuing Education and Training in the 1990's" (Ramoff) identifies new vistas that are opening up in training policy in Europe in a changing economic climate. An "Issue Paper" summarizes four sessions: "New Horizons of Learning in a Changing European Economy"; "Policies for Achieving Human Resources Development and Lifelong Learning in a Changing Labour Market"; "Right and Access to Training and Education in Post-Industrial Societies"; and "The Adult as Learner: Towards New Trends in Workplace Learning." "Seminar Report" (Harrison) highlights three themes: access to adult continuing education, competence level and competitiveness of the European work force, and new forms of partnerships. The program and list of participants are appended. (YLB)

AN: ED334616
AU: Noor-Al-Deen,-Hana-S.
TI: The Single European Act for 1992 and U.S. Television Programming.
PY: 1991
NT: 20 p.; Paper presented at the Annual Meeting of the Southern States Communication Association (Tampa, FL, April 3-7, 1991).
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: Global exports of television programs have been dominated by U.S. companies. Most of their exports are sold to Western European countries. Such a large influx of imports brings

with it cultural values that car subvert the indigenous culture and may lead to cultural hegemony. To reach some balance with the United States in the cultural/media import/export of television programs, the European Economic Community has adopted "Television Without Frontiers" or "Broadcast Directive." This directive is one of the outgrowths of Single European Act (SEA-92). Examining the impact of this directive on U.S. television programs, while taking into account the increased global market, less favorable trade arrangements, and cooperation or agreements between U.S. and European firms, leads to the inescapable conclusion that U.S. television production companies must learn to think in global terms. They should: (1) make themselves at home in all three of the world's most important markets—North America, Europe and Asia; (2) develop new products for the whole world; (3) overcome parochial attitudes; and (4) find allies in markets that they cannot penetrate on their own. It appears that "Television Without Frontiers" is indeed stimulating United States television production companies to seriously consider the benefits of tailoring their programs for audiences on both continents. (Forty-four references are attached.) (Author/PRA)

AN: ED316731
AU: Oels,-Monika; Seeland,-Suzanne
TI: Equality of Opportunity and Vocational Training Five Years on...Vocational Training Measures for Women in the European Community. Synthesis Report and Recommendations.
CS: European Centre for the Development of Vocational Training, Berlin (West Germany).
PY: 1985
AV: UNIPUB, 4661-F Assembly Drive, Lanham, MD 20706-4391 (Catalogue No. HX-43-85-903-EN-C, $3.00).
NT: 97 p.
PR: EDRS Price - MF01/PC04 Plus Postage.
AB: This document includes four chapters, a bibliography, notes, and two appendices. Chapter 1 briefly indicates the purpose of the report, to look retrospectively at innovative vocational training programs initiated for women in the European Community (EC). Chapter 2 describes general developments since 1978, including the legal background, the participation of women and girls in vocational training, and the situation of women in the labor market. Chapter 3 includes evaluative descriptions of whether the programs offered to women and girls met criteria for success: participants; training firms and training institutions; advisory, research, and evaluation measures; and sources of funding for the programs. Chapter 4 provides recommendations on vocational training for women in the EC in five areas: school and vocational orientation, labor market, vocational training, economic independence, and empowerment measures. The bibliography includes 13 national reports and 16 additional references. Appendix 1 provides a catalog of programs in three parts: programs for skilled occupations to which women had previously not had access; programs to assist women in securing occupational advancement and managerial positions; and programs for women entering or reentering the work force. Each entry gives program title, objective, and responsible organizations. Appendix 2 provides the guidelines for the evaluation and development of perspectives. (CML)

AN: ED350386
TI: Open Distance Learning in the European Community. Memorandum.
CS: Commission of the European Communities, Brussels (Belgium).
PY: 1991
NT: 20 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: This document outlines the importance of open distance learning in a broad range of education and training activities for the European Community (EC) and its Member States. It refers to actions in this area already taking place and shows how EC programs complement and are complemented by actions in the open distance learning field being taken within the context of existing programs. The paper indicates a need for policies and actions at institutional and Member State level that would extend the scope, power, and application of open distance learning. It also refers to areas in which a sharing of experience and expertise and possible joint actions at the European level could be taken within the framework of the creation of trans-European infrastructural networks for vocational and professional training. (KC)

AN: ED310279
TI: Opportunity 1992. College Courses and the Single European Market.
CS: Further Education Unit, London (England).
PY: 1989
NT: 7 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: The completion of the single market by the end of 1992 will remove internal obstacles to the free flow of goods and services within the European Community. The implications for education and training, and in particular for those colleges selling customized updating and similar courses to companies and organizations, are far-reaching. This bulletin identifies those aspects of the 1992 reforms that are likely to affect colleges and other providers of education and training. It also considers changing training needs and looks at some models for curriculum development, with the emphasis on the kind of short course training being promoted by the United Kingdom's Department of Education and Science in its PICK-UP updating skills program. Three case studies, involving community law and trading, language training, and quality assurance, are included in the paper. (KC)

AN: ED364677
AU: Preston,-Jill
TI: EC Education, Training and Research Programmes: An Action Guide.
PY: 1991
AV: Kogan Page Ltd., 120 Pentonville Road, London N1 9JN, England, United Kingdom (22.50 pounds).
NT: 304 p.
PR: Document Not Available from EDRS.
AB: This book is intended to assist educational and research organizations and others interested in education/vocational training and/or research and development (R&D) in taking full advantage of the challenges and opportunities of membership in the European Community (EC). Discussed in Part 1 are various aspects of the policy context of Europeanization. Part 2, which is intended to provide a step-by-step guide to applying for EC funding, outlines the main EC education and vocational training programs. Part 3 contains a chapter discussing R&D cost sharing, contracted research, and benefits and costs of participating in R&D programs and a directory of the primary R&D programs in the EC. Discussed in Part 4 are the various organizational issues facing further and higher education (FHE) institutions as a result of EC membership. Part 5 contains seven case studies of good practices taken from FHE and the private sector, and Part 6 presents concluding observations on the challenges of the single European market for organizations in the United Kingdom. Appended are annotated lists of contact points for specific EC training and R&D programs and sources of general information on EC policies and programs and suggestions for finding partners for education/training and R&D programs. (MN)

AN: ED266082

AU: Strysick,-Pam

TI: The European Currency Unit: An Economical, Financial, and Political Currency.

PY: 1985

NT: 8 p.

PR: EDRS Price - MF01/PC01 Plus Postage.

AB: Intended to provide a basic understanding of the history and complexity of a relatively new foreign currency measure, this paper briefly describes the history leading to the formation of the European Economic Community (EEC), its objectives, its governance structure, and its development of the European Currency Unit (ECU) as a means of stabilizing Europe's monetary system and strengthening the ties of the EEC's 11 member nations. Described as an intangible, cashless currency much like automated bank transfers, the value of an ECU is based on an average of all participating currencies. Should the ECU become independent of the fluctuating U.S. dollar, it could become a major currency of both account and settlement, creating a regional currency in Western Europe. The recent decisions of Spain and Portugal to join the EEC (often referred to as the Common Market) have enlarged the community market, but the implications of the ECU for Americans in the financial and business community remain to be determined.

AN: ED284786

TI: The Teaching of Languages in the European Community.

CS: EURYDICE Central Unit, Brussels (Belgium).

PY: 1984

NT: 123 p.; For related documents, see SO 018 224-228. Document contains small, light type.

PR: EDRS Price - MF01/PC05 Plus Postage.

AB: Knowledge of foreign languages is one of the factors facilitating cultural, economic, technical, and scientific cooperation among the Member States of the European Community. For this reason it is important that there be an awareness of the situation about the teaching and learning of modern languages in schools of the Member States. The information from the Member States indicates that although there is little or no provision for foreign language teaching in primary education, most students in all the Member States have the opportunity to learn at least one foreign language beginning with the first year of secondary education. In almost all cases a first foreign language is compulsory. Apart from Belgium and Luxembourg, the most widespread first language is English, followed in a few instances by French or German. In the case of the English-speaking Member States the first foreign language is usually French; with the exception of a very few schools, where the first foreign language is German or Spanish. Provided for each member state is information about the description of education provided; the legal provisions; the language in order of availability/preference; the students (hours per week and period of study); the qualifications of teachers; the organized bodies for teacher/student exchanges; and the monitoring of teachers. (BZ)

AN: ED368161

TI: The Teaching of Modern Foreign Languages in Primary and Secondary Education in the European Community.

CS: EURYDICE European Unit, Brussels (Belgium).

PY: 1992

NT: 79 p.

PR: EDRS Price - MF01/PC04 Plus Postage.

AB: Information is presented on the policy and trends in modern foreign language teaching in member states of the European Community, including Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, England, Wales, Northern Ireland, and Scotland. The report begins with an executive summary, including graphs of the number of years and hour one or two second languages are taught to pupils aged 6-18. This summary is followed by a description of the situation in each member state, including provision of modern foreign language teaching in elementary and secondary schools (languages taught and for how many hours per week), initial training of foreign language teachers (including exchange programs), in-service training of language teachers, and pupil exchanges. Enrollment, teacher, and exchange data are included where possible. In addition, data on the European Community's LINGUA program of action in support of language teaching are included. (MSE)

AN: ED331761

AU: Weiss,-M.; And-Others

TI: Prospective Trends in the Socio-Economic Context of Education in European Market Economy Countries.

CS: United Nations Educational, Scientific, and Cultural Organization, Paris (France). Div. of Educational Policy and Planning.

PY: 1990

AV: United Nations Educational, Scientific, and Cultural Organization, 7, Place de Fontenoy, 75700 Paris, France.

NT: 75 p.; Prepared for the UNESCO International Congress on Planning and Management of Educational Development (Mexico City, Mexico, March 26-30, 1990).

PR: EDRS Price - MF01 Plus Postage. PC Not Available from EDRS.

AB: The purpose of this study was to project and analyze the prospective long-term trends in the socioeconomic context of the educational systems of European market economies and to outline in global terms the probable implication for education and training in the future. Composed of three chapters, the chapter 1 focuses on projected long-term demographic changes: the quantitative development and age structure of populations and their basic determinants up to the first half of the next century. The direct and indirect impact on education and training is discussed in detail. Chapter 2 looks at the social and cultural context of education, highlighting value changes in various fields (work, family, religion, politics) and their societal effects. The consequences of socio-cultural change and multi-cultural societies for formal education are outlined. Chapter 3 gives a detailed overview of past and expected future developments in the economy (economic growth) and the labor market (labor force participation, unemployment, new forms of working). The implications of structural change in the economy and the introduction of new technologies for future qualification requirements are summarized. A 66-item list of references is included as are a number of appendices. (Author/DB)

AN: ED318229

AU: Wilkinson,-Robert

TI: Trends in European English.

PY: [1989]

NT: 20 p.; Revised version of a paper presented at the European Business School (Oestrich-Winkel, West Germany, October 27, 1989).

PR: EDRS Price - MF01/PC01 Plus Postage.

AB: It is proposed that a European variety of English without native speakers is emerging as a language of international communication in Europe. This is a consequence of many factors, including the strength of the American economy, the breadth and depth of American research in science and technology, the pervasive influence of American-style popular music, mass tourism, and foreign language policies pursued by European education authorities. The European version of English is functioning as a lingua franca for native speakers of other languages to communicate with each other, as a second, not foreign, language. The users of this new European variety will choose it over standard British English because of their varied needs, cultural diversity, differing ethnic identities, and the process of economic and social integration in the European Community. Characteristics of European English include diminished distinctions between adjectives and adverbs, absence of mass/count distinction (e.g., much/many), enlargement of the range of existential "there" structures, absence of the inflections "-er" and "-est" (e.g., "more clear, most rich"), adjustments in the use of clausal and sentential connectives (e.g., "however, therefore"), shifts in use of the present perfect tense, and lexical changes due to absorption from other European languages or from technological advancement. (MSE)

AN: ED352500
AU: Wisser,-Ulrike, Ed.; Grootings,-Peter, Ed.
TI: "Eurotrain for Training." Proceedings of a European Congress on Continuing Education and Training (4th, Berlin, Germany; Warsaw, Poland; Prague, Czechoslovakia; Budapest, Hungary; Vienna, Austria, October 5-9, 1992).
CS: European Centre for the Development of Vocational Training, Berlin (Germany).
PY: 1992
JN: CEDEFOP-Flash; n4 Dec 1992
NT: 13 p.
PR: EDRS Price - MF01/PC01 Plus Postage.
AB: A "travelling" congress was conducted in five European cities (Berlin, Warsaw, Prague, Budapest, and Vienna) to promote a mutual exchange of views between east and west. The participants stressed the growing European Community interest in current examples of cooperation with neighbors in central and eastern Europe. In addition to promoting dialogue and the exchange of views and ideas, the "Eurotrain" was developed as a venue to promote western endeavors to support eastern Europe. The congress participants traveled by train for study visits and workshops in the five cities. Each national conference had an opening event in which experts at national and community levels provided participants with an insight into the educational and employment situations in the various countries. Experts from western Europe and the United States provided examples of local structural developments, the development of further training programs, and the planning of integrated training concepts. Workshop participants in the five cities each worked on six topics: international cooperation in training and continuing training; continuing training and migration; training and continuing training in enterprises; vocational training and continuing training in the context of regional, structural, and development policies; continuing training of women; and continuing training at school in the context of adult training. Examples of programs on these themes were provided for each of the five countries. The "Eurotrain" concept of learning exchange was explored and endorsed. (KC)

Chapter 9

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JOURNAL ARTICLES IN ERIC ON EUROPEAN UNIFICATION

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Vickie J. Schlene

Chapter 9

Journal Articles in ERIC on European Unification

Vickie J. Schlene

The following annotations of articles from journals in the ERIC database represent an extensive sample of articles written on this important topic. All of the annotations appear in the *Current Index to Journals in Education (CIJE),* which is published on a monthly basis and is available at larger libraries throughout the country. The annotations are intended to briefly describe the contents of the articles in general terms. Therefore, it is suggested that the reader locate the entire article in the journal section of a larger public or university library. Reprints of the article may be available from University Microfilms International (UMI), 300 North Zeeb Road, Ann Arbor, MI 48106, 800/248-0360.

Readers are encouraged to complete their own searches of the ERIC database to discover new articles which are constantly being added to the system. Educators will find these articles a valuable resource for fostering understanding, application, and evaluation on the wealth of information being published concerning European unification.

AN: EJ465594
AU: Ager,-Dennis-E.
TI: Language Learning and European Integration.
PY: 1992
JN: *Language-and-Education;* v6 n2-4 p149-64 1992
NT: Special issue, "Language, Culture, and Education."
AB: Concepts of identity and ethnicity, and their applicability to Europe through language, religious and cultural criteria are reviewed. It is noted that thoughts of an integrated Europe must acknowledge both behavioral and ethnographic approaches to difference and particularly the contrasts between dominance and difference theories. A European language learning policy is considered. (17 references) (Author/LB)

AN: EJ403528
AU: Berchem,-Theodor
TI: Higher Education Cooperation between EEC and Non-EEC Institutions in the Perspective of Post-1992 Europe.
PY: 1989
JN: *European-Journal-of-Education;* v24 n4 p365-70 1989
AB: Concern about the impact of the completion of the European Single Market in 1992 on patterns of cooperation between member and non-member countries is expressed, and it is cautioned that member institutions must not ignore opportunities for cooperation inside or outside the European Community, particularly with developing nations. (MSE)

AN: EJ429320
AU: Berggreen,-Ingeborg
TI: Europe '92: Consequences of the European Unification for Cultural Federalism in the Federal Republic of Germany.
PY: 1990
JN: *Zeitschrift-fur-Padagogik;* v36 n6 p827-47 Nov 1990
AB: Discusses consequences of European unification in the Federal Republic of Germany. Focuses on the relationships between the European Community, the federal government of Germany, and the German states. Suggests that the German states are aware of their responsibility to give education and culture a European dimension. (NL)

AN: EJ404100
AU: Birmele,-Jutta
TI: Project 1992: A Topic Worth Teaching.
PY: 1990
JN: *College-Teaching;* v38 n1 p10-12 Win 1990
AV: UMI
AB: Project 1992, the Single Market Act that will lift all trade barriers between the 12 member states of the European Community (Belgium, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom), needs to be included in the college curriculum. (MLW)

AN: EJ490095
AU: Blankenship,-Glen
TI: Germany, the Search for Unity. Pull-Out Feature.
PY: 1994
JN: *Social-Studies-and-the-Young-Learner;* v6 n4 ps1-3 Mar-Apr 1994
AV: UMI
NT: Theme issue topic: "Global Perspectives in a New World."
AB: Asserts that the reunification of Germany and its significance in the European Community provide a catalyst for U.S. social studies teachers to include instruction about Germany at all grade levels. Includes a teacher resource page with information about schools and student life in Germany. (CFR)

AN: EJ430156
AU: Bode,-Christian
TI: EC Research Programmes—Information and Influence (or, How to Lobby in Brussels).
PY: 1991
JN: *Higher-Education-Management;* v3 n2 p128-36 Jul 1991
AB: Research projects within the European Community (EC) have used different strategies and instruments for information dissemination and lobbying on national and international levels. The scientific community must have stronger autonomous representation in Brussels as an equal partner of the EC bureaucracy, similar to that in some member states. (Author/MSE)

AN: EJ489806
AU: Bonekamp,-L.-W.-F.
TI: Courseware Evaluation Activities in Europe.
PY: 1994
JN: *Journal-of-Educational-Computing-Research;* v11 n1 p73-90 1994
AB: Describes the ECOSET project, developed by the European Community to collect data on the current state of formative and summative evaluation activities regarding courseware used within the classroom in Europe. Evaluation instruments and evaluation techniques are described, and their cultural embeddedness and curricular dependencies are discussed. (Contains 12 references.) (LRW)

AN: EJ465595
AU: Byram,-Michael
TI: Language and Culture Learning for European Citizenship.
PY: 1992
JN: *Language-and-Education;* v6 n2-4 p165-76 1992

NT: Special issue, "Language, Culture, and Education."
AB: In the new Europe of greater cooperation and integration between states, the relationship between national identity and national language will require reappraisal. This paper argues for language teaching that includes culture learning because intercultural communication includes political and ethical issues. (19 references) (Author/LB)

AN: EJ442163
AU: Cerych,-Ladislav
TI: Higher Education and Europe after 1992.
PY: 1991
JN: *European-Education;* v23 n2 p77-95 Sum 1991
AB: Discusses problems that European higher education will face as a result of European Community programs. Warns that resistance to change could marginalize higher education and reduce European integration to a purely economic, technological, and political phenomenon. Addresses diversity versus uniformity, the nature of expected change, and general requirements for changing higher education. (DK)

AN: EJ405524
AU: Cerych,-Ladislav
TI: Higher Education and Europe after 1992: The Framework.
PY: 1989
JN: *European-Journal-of-Education;* v24 n4 p321-32 1989
AB: Three types of change in higher education resulting from the establishment of the European Community and related educational initiatives are examined: (1) those that are compulsory or unavoidable; (2) those that will be facilitated or encouraged; and (3) those for which the approach of 1992 represents an exceptional opportunity. (MSE)

AN: EJ408819
AU: Cerych,-Ladislav
TI: EC '92: What Will It Mean for Higher Education?
PY: 1990
JN: *Educational-Record;* v71 n2 p38-41 Spr 1990
AV: UMI
AB: Changes in higher education resulting from the official emergence of the European Community in 1992 are discussed, including those that will be more or less mandatory, those that will be facilitated and/or encouraged, and those for which 1992 will represent an exceptional opportunity. (Author/MSE)

AN: EJ443403
AU: Chepesiuk,-Ron
TI: The Dawn of European Economic Unity: What It Means for Libraries.
PY: 1992
JN: *American-Libraries;* v23 n3 p212-15 Mar 1992
AV: UMI
AB: Examines the attitudes of librarians in the 12 member countries of the European Community (EC) toward the removal of technical and economic barriers among EC members on January 1, 1993, and the impact of this development on libraries. Topics addressed include information technology development, librarian mobility, a pan-EC library association, and library cooperation. (MES)

AN: EJ481791
AU: Collis,-Betty
TI: New Technologies and Learning in the European Community.
PY: 1994
JN: *T.H.E.-Journal;* v21 n8 p83-87 Mar 1994
AV: UMI
AB: Discusses the application of communication and information technologies (C&IT) in education and vocational training for 12 member states in the Commission of the European Communities (CEC). Highlights include funding sources; major activities; the DELTA project, which supports training through new technologies in an open learning environment; and university and business collaboration. (Contains six references.) (SLW)

AN: EJ481791
AU: Collis,-Betty
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JN: *T.H.E.-Journal;* v21 n8 p83-87 Mar 1994
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AN: EJ471107
AU: Collis,-Betty
TI: The Impact of Computing in Education in Europe.
PY: 1993
JN: *Educational-Technology;* v33 n9 p37-42 Sep 1993
AV: UMI
NT: Special issue on the status of computing in education worldwide.
AB: Discusses information technology (IT) in member countries of the European Community. Topics addressed include IT in the curriculum of primary and secondary schools; activities sponsored by the European Community relating to IT in schools; IT projects; IT in postsecondary education and training; and future plans. (Contains 15 references.) (LRW)

AN: EJ442157
TI: The Contribution of the Educational System to the Achievement of the Internal Market.
PY: 1991
JN: *European-Education;* v23 n2 p18-27 Sum 1991
AB: Describes European Community attempts to foster awareness of cultural unity. Explains that efforts include curricula and classroom instruction, educational materials, teacher training, and international contacts between teachers and students. Lists three objectives: (1) determining how the educational system contributes to the creation of the internal market; (2) strengthening ties between education and science; and (3) lessening regional differences. (DK)

AN: EJ430157
AU: Contzen,-Jean-Pierre
TI: European Integration and University Research: An Overview.
PY: 1991
JN: *Higher-Education-Management;* v3 n2 p137-44 Jul 1991
AB: A discussion of European cooperation on research looks at the role of university research in Europe, European Community (EC) research and technological development projects, indirect effects on research of other EC efforts, and the prospects for university research after the EC becomes established, including new industrial and political opportunities. (Author/MSE)

AN: EJ449387
AU: Doornekamp,-B.-Gerard; Van-Kesteren,-Baukje-J.
TI: Primary School Teacher Training in the European Community: An Overview of Recent Developments. PY: 1991
JN: *European-Journal-of-Teacher-Education;* v14 n3 p241-51 1991

AB: Dutch colleges of education for primary school teachers have undergone several mergers. The article examines how to fully utilize primary teacher education characteristics in large institutions of higher vocational education. It describes studies of integration and differentiation in other countries, concluding that mergers threaten the educational identity of teacher training. (SM)

AN: EJ442156
TI: ERASMUS: European Community Program for the Development of Student Mobility in the European Community.
PY: 1991
JN: *European-Education;* v23 n2 p5-17 Sum 1991
AB: Describes the European Community's efforts to unify Europe and enhance competitiveness in world markets by improving use of available intellectual potential. Discusses ERASMUS, the European Community Action Scheme for the Mobility of University Students. Explains the role of Inter-University Cooperation Programs (ICPs), a course credit transfer system, and complementary measures. (DK)

AN: EJ453656
AU: Garrido,-Jose-Luis-Garcia
TI: European Education in a World Civilization.
PY: 1992
JN: *European-Education;* v23 n4 p5-14 Win 1991-92
AV: UMI
AB: Discusses problems facing European education as the world continues to become more interconnected through politics, communication, and economics. Stresses the need to maintain national values without regressing to nationalism. Examines teacher training, history instruction, and television as areas where divisions can be lessened. Warns against seeing Europe as opposing the rest of the world. (DK)

AN: EJ446359
AU: Garcia-Garrido,-Jose-Luis
TI: Open and Non-Formal Education: New Paths for Education in a New Europe.
PY: 1992
JN: *Comparative-Education;* v28 n1 p83-89 1992
NT: Theme issue (special number 14) with title "Educating the New Europe."
AB: Defines "nonformal education" as encompassing the educational influences of all of society's institutions. Suggests that nonformal education may be the best approach to aid for development in developing nations, as well as to lifelong learning in European and other developed nations. (SV)

AN: EJ405586
AU: Goodyear,-Peter
TI: Development of Learning Technology at the European Level: The DELTA Programme.
PY: 1989
JN: *Educational-and-Training-Technology-International;* v26 n4 p335-41 Nov 1989
AV: UMI
AB: Describes the European Community's Development of European Learning through Technological Advance (DELTA) program, which is concerned with the technological resources needed to support open and distance learning in continuing or higher education. Activities in the United Kingdom are emphasized, and several DELTA projects are described. (LRW)

AN: EJ465566
AU: Grin,-Francois
TI: European Economic Integration and the Fate of Lesser-Used Languages.
PY: 1993
JN: *Language-Problems-and-Language-Planning;* v17 n2 p101-16 Sum 1993
AB: The consequences of economic integration for Europe's lesser-used languages are examined. Applying theoretical predictions to a set of 12 minority languages, this paper shows that 5 will likely be in a more favorable position, 4 may lose as a result of economic integration, and no clear effect can be predicted for the remaining 3. (18 references) (Author/LB)

AN: EJ413455
AU: Guinand,-Jean
TI: The Implications of European Integration for Higher Education Institutions in Non-EEC Countries.
PY: 1990
JN: *Higher-Education-Management;* v2 n2 p202-12 Jul 1990
AB: Institutions in non-European Economic Community countries will have to find ways to maintain and strengthen their relations with EEC institutions to avoid a situation in which Europe develops at two different speeds. The author suggests strategies to avoid isolation, to improve communications, and to open programs to wider participation. (Author/MLW)

AN: EJ442161
AU: Hansen,-Georg
TI: Intercultural Learning—A Challenge to the Educational Policy in the European Community.
PY: 1991
JN: *European-Education;* v23 n2 p59-68 Sum 1991
AB: Discusses the problems of intercultural education in the European Community. Specifies that, for education not to discriminate, both majority and minorities must experience common learning processes and have opportunities to acquire relatively unbiased information about each other. Examines educational policy, school structure, and language policy. Compares the European Community outlook with nationalism. (DK)

AN: EJ469732
AU: Heater,-Derek
TI: Education for European Citizenship.
PY: 1992
JN: *Westminster-Studies-in-Education;* v15 p53-67 1992
AB: Argues that European schools must begin to deal with the issue of citizenship education in light of the emergence of the European Community. Concludes that both preservice and inservice teacher training will be critical to success efforts to promote European citizenship. (CFR)

AN: EJ442159
AU: Heidemann,-Winfried
TI: Qualification and the Internal European Market.
PY: 1991
JN: *European-Education;* v23 n2 p32-46 Sum 1991
AB: Discusses effects of integration of the European Community and internal market on qualifications for occupational activity. Describes German objections to the community's attempts to set educational policy. Urges common community definitions of professions and recognition of vocational qualifications to facilitate freedom of movement of the work force. Presents a proposed training level structure. (DK)

AN: EJ442162
AU: Heinemann,-Karl-Heinz
TI: Education and the Internal Market.
PY: 1991
JN: *European-Education;* v23 n2 p69-76 Sum 1991
AB: Discusses European attempts to standardize academic and vocational qualifications. Expresses concern that the internal market threatens the cultural sovereignty of states. Describes

the consequences of teacher mobility for the German education system. Concludes that more openness is necessary for the European Community's educational policymaking to overcome the mistrust of state education ministers. (DK)

AN: EJ404167
AU: Hensley,-Colin
TI: European Community Databases: Online to Europe.
PY: 1989
JN: *Database;* v12 n6 p45-52 Dec 1989
AV: UMI
AB: Describes three groups of databases sponsored by the European Communities Commission: Eurobases, a textual database of the contents of the "Official Journal" of the European Community; the European Community Host Organization (ECHO) databases, which offer multilingual information about Europe; and statistical databases. Information on access and fees is included. (CLB)

AN: EJ455347
AU: Jones,-Hywel-C.
TI: Education in a Changing Europe.
PY: 1992
JN: *Educational-Review;* v44 n3 p237-53 1992
AB: Reviews implications of a frontier-free Europe in terms of human resources, mobility, vocational education/training for young people, continuing education and training, and the role of higher education institutions. (SK)

AN: EJ466130
AU: Jones,-Hywel-Ceri
TI: Promoting Higher Education's Contribution to the Developing European Community.
PY: 1991
JN: *Prospects;* v21 n3 p443-54 1991
AV: UMI
AB: Examines the role of higher education as the European Community moves toward economic, monetary, and political union. Reviews several programs designed to bring more uniformity and equality to educational opportunities in all member nations. Concludes that higher education has assumed a leadership role in bringing about political and economic union. (CFR)

AN: EJ490808
AU: Khan,-A.-N.
TI: European Common Market and Education.
PY: 1994
JN: *Journal-of-Law-and-Education;* v23 n1 p47-60 Win 1994
AV: UMI
AB: The European Common Market is striving toward harmonization of its member countries in many aspects of their laws. Explains some of the recent developments in the European Common Market law and practice affecting education, particularly those that have taken place in Britain. (MLF)

AN: EJ430159
AU: Kiiskinen,-Eini
TI: European Integration and University Research.
PY: 1991
JN: *Higher-Education-Management;* v3 n2 p154-58 Jul 1991
AB: A 1990 Institutional Management for Higher Education workshop on university research in the new European Community is summarized. The report focuses on potential changes in university research structures and patterns and implications of those changes and strategies to keep research vital, including development of international computer networks and fiscal issues. (MSE)

AN: EJ412004
AU: Knapp,-Karlfried
TI: Common Market—Common Culture?
PY: 1990
JN: *European-Journal-of-Education;* v25 n1 p55-60 1990
AB: This paper discusses some cultural differences that may affect cooperation in Europe. It maintains that it takes a least one year before a multinational working group begins to be productive, if no special provision is taken to minimize communication problems and to integrate the different cultures involved. (MLW)

AN: EJ475124
AU: Kodron,-Christoph
TI: European Dimension, Multiculturalism and Teacher Training. An Experience in a Network of Training Institutions.
PY: 1993
JN: *European-Journal-of-Teacher-Education;* v16 n1 p69-77 1993
AB: Explains the development of a network of teacher training institutions within the European Community designed to promote the European dimension in education by direct cooperation between trainers and their institutions. The paper focuses on the European dimension and multiculturalism. (SM)

AN: EJ345714
AU: Koster,-H.-J.-C.
TI: Higher Education in Europe: A Many Faceted Question.
PY: 1986
JN: *Higher-Education-in-Europe;* v11 n1 p28-34 1986
AB: The activities of UNESCO, the Council of Europe, the Organization for Economic Cooperation and Development, and the European Economic Community to promote academic mobility and international recognition of credits and degrees are outlined, and problems still to be solved are discussed. (MSE)

AN: EJ471765
AU: Large,-David-Clay
TI: Germany in Europe, 1945-92: A Historical Overview.
PY: 1993
JN: *Social-Education;* v57 n5 p232-36 Sep 1993
AV: UMI
AB: Presents a historical review of German relations with European nations from the end of World War II until 1992. Claims that Chancellor Willy Brandt's efforts to improve East-West relations set the stage for German reunification. Contends that Germany's role in a united Europe has yet to be determined. (CFR)

AN: EJ434579
AU: Leitner,-Gerhard
TI: Europe 1992: A Language Perspective.
PY: 1991
JN: *Language-Problems-and-Language-Planning;* v15 n3 p282-96 Fall 1991
AV: UMI
AB: Argues for the survival of the federalist language formula in the European (Economic) Community through a modified, more restricted form so as to be more functional and open to the demands of worldwide communication. It is suggested that, despite its weaknesses, it more adequately reflects the mosaic-like cultural heritage of Europe. (eight references) (GLR)

AN: EJ469211
AU: Lopez,-Xavier-R.
TI: Database Copyright Issues in the European GIS Community.
PY: 1993
JN: *Government-Information-Quarterly;* v10 n3 p305-18 1993

AB: Outlines the current legal structure of the European geographic information system (GIS) database industry, particularly in the area of copyright protection; critiques the impending Commission of the European Communities directive; and emphasizes the need for global consensus on the legal structure's ability to protect and regulate the flow of information. (Contains 38 references.) (EAM)

AN: EJ453220
AU: McElroy,-Neil-J.
TI: The European Community and 1992: The EC Literature on the Single Market.
PY: 1992
JN: *Government-Publications-Review;* v19 n5 p497-504 Sep-Oct 1992
AV: UMI
AB: Provides background on the organization and legislative process of the European Community (EC) and highlights the documents that form the cornerstones of the EC 1992 program to establish a unified economy. Materials described include reports, legislation, newsletters, periodicals, statistics, catalogs, and databases. (18 references) (MES)

AN: EJ471764
AU: McKinnon,-Mike
TI: How to Encourage Studying Germany and Europe in the Classroom.
PY: 1993
JN: *Social-Education;* v57 n5 p231-32 Sep 1993
AV: UMI
AB: Presents two activities from an "Idea Bank for Teaching Germany and Europe U.S. Classrooms K-12." Includes a role playing exercise involving significant individuals from European history and a student project involving cooperative learning about individual European nations. Provides an address for obtaining a free copy of the "Idea Bank." (CFR)

AN: EJ469695
AU: McKinnon,-Mike
TI: Why Study Germany and Europe Now?
PY: 1993
JN: *Social-Education;* v57 n4 p168-70 Apr-May 1993
AV: UMI
AB: Provides 10 reasons why the study of Germany and the European Community should be taught in U.S. social studies. Argues that the cultural interrelationships between the United States and Germany are historically significant. Contends that the experiences of post-World War II German reconstruction and the reunification after the Cold War can serve as models for other nations. (CFR)

AN: EJ413457
AU: Martin,-Michaela
TI: European Integration and Its Consequences for the Management of IMHE Institutions.
PY: 1990
JN: *Higher-Education-Management;* v2 n2 p226-30 Jul 1990
AB: Two new programs, European Community Action Scheme for the Mobility of University Students (ERASMUS) and European Community Action Program for Education and Training for Technology (COMETT), will allow for greater student and staff mobility. These programs need to be supported by adequate administrative structures. (MLW)

AN: EJ405775
AU: Miller,-Ralph
TI: Europe 1992: The Impact on the Information Industry.
PY: 1990
JN: *Online;* v14 n2 p51-55 Mar 1990
AV: UMI
AB: Discusses the deregulation of telecommunications in the European Community, the impact of this deregulation on information services, and the possible effects of a truly common market on U.S. and Japanese information industries. A sidebar by Nancy Garman describes major online databases devoted to information about the coming European Single Market. (CLB)

AN: EJ429371
AU: Mulcahy,-D.-G.
TI: Education and Community-Building in the European Community: The Impact of 1992.
PY: 1991
JN: *Educational-Foundations;* v5 n1 p33-49 Win 1991
AB: In its relatively short lifetime, the European Community has implemented a responsive, developing educational policy addressing many social and economic issues affecting the life of the community. An emphasis on teaching the European dimension is aimed at increasing understanding of the community itself and mutual understanding among fellow Europeans. (SM)

AN: EJ482445
AU: Mulcahy,-D.-G.
TI: Social Education in the European Community.
PY: 1994
JN: *Social-Studies;* v85 n2 p83-87 Mar-Apr 1994
AV: UMI
AB: Contends that educational reform efforts have neglected the values of civic education and its implications for civic and social life. Asserts that this is not true in Europe where an increasing focus on the European dimension in education has a strong civic education component. (CFR)

AN: EJ429319
AU: Muller-Solger,-Hermann
TI: Educational Policy Cooperation in the European Community.
PY: 1990
JN: *Zeitschrift-fur-Padagogik;* v36 n6 p805-25 Nov 1990
AB: Describes cooperation on educational policy within the European Community (EC). Explains possible outcomes of European integration and predictable conflicts. Supports the notion of a restricted educational competency for the EC. Argues that a new European educational community must be the objective of the EC but cannot be created by them alone. (NL)

AN: EJ405527
AU: Neave,-Guy
TI: On Articulating Secondary School, Higher Education and 1992.
PY: 1989
JN: *European-Journal-of-Education;* v24 n4 p351-63 1989
AB: Implications of the unification of European Community education in 1992 for articulation between secondary and higher education and between higher education and non-university sectors are discussed, placing emphasis on the need to find a balance between competition and collaboration. (MSE)

AN: EJ458073
AU: Niederfranke,-Annette
TI: Education for the Elderly: New Directions in a Changing Europe.
PY: 1992
JN: *International-Review-of-Education-Internationale-Zeitschrift-fuer-Erziehungswissenschaft-Revue-Internationale-de-Pedagogie;* v38 n4 p327-41 Jul 1992
AB: Considers education for the elderly an important issue for the European Community. Discusses demographic, social, and political factors arising from structural changes affecting

older adult education. Suggests that education of the elderly emphasize self-reliance, communication skills, experience, and life changes. Reviews literature on the capacity and willingness to learn of the elderly. (DMM)

AN: EJ462026
AU: Oglesby,-K.-L.; Bax,-W.
TI: The New Europe: Challenges for European Adult Education.
PY: 1993
JN: *Convergence;* v26 n1 p51-58 1993
AV: UMI
AB: The European Community must develop policies regarding a number of challenges: free circulation of people across borders, disadvantaged regions, economic restructuring, access to vocational education, and cooperation with Eastern Europe. (SK)

AN: EJ437094
AU: Raivola,-Reijo
TI: Integrating Education for an Integrating Europe?
PY: 1991
JN: *Life-and-Education-in-Finland;* n4 p2-7 1991
AB: Two strategies for creating a unified European identity are (1) unifying educational structures and processes to ensure equivalent educational outcomes and (2) intensifying student, trainee, and personnel exchanges and building an efficient educational information network. (SK)

AN: EJ449535
AU: Rendel,-Margherita
TI: European Law: Ending Discrimination against Girls in Education.
PY: 1992
JN: *Gender-and-Education;* v4 n1-2 p163-73 1992
NT: Special double issue with title "Women's Education in Europe."
AB: Examines how the European Convention on Human Rights and its case law could combat sexist education and develop concepts of philosophical convictions, the European Community's duty, and children's rights. Considers feminist strategies for improving girls' education, English and European procedural laws, and difficulties of using English law. (RLC)

AN: EJ469699
AU: Riemer,-Jeremiah
TI: The ECU as the "Mark" of Unity: Europe between Monetary Integration and Monetary Union.
PY: 1993
JN: *Social-Education;* v57 n4 p184-86 Apr-May 1993
AV: UMI
AB: Reviews progress toward economic integration and monetary union within the European Economic Community. Maintains that Germany has the greatest influence on the system because of its strong currency and monetary policies. Concludes that a "two-speed" course toward economic union may be the only practical path. (CFR)

AN: EJ441964
AU: Ryba,-Raymond
TI: Toward a European Dimension in Education: Intention and Reality in European Community Policy and Practice.
PY: 1991
JN: *Comparative-Education-Review;* v36 n1 p10-24 Feb 1991
AV: UMI
NT: Theme issue with title "Education in a Changing Europe."
AB: Analyzes official and unofficial documents from European Community member nations, questions whether the development of a European dimension in education will effectively overcome such difficulties as lack of emphasis on learning to be European and developing transnational values, lack of appropriate teacher training and instructional materials, and persistent national prejudices. (SV)

AN: EJ469698
AU: Schmid,-Gerhard
TI: Immigration in Europe: How Much "Other" Is Too Much?
PY: 1993
JN: *Social-Education;* v57 n4 p181-83 Apr-May 1993
AV: UMI
AB: Examines the increase in immigration and foreign nationals in European countries since the 1950s. Points out that liberal immigration laws made Germany the most popular haven for refugees and others. Contends that Germans will have to adjust to a multicultural Germany within a multicultural Europe. (CFR)

AN: EJ438724
AU: Scott,-James-Calvert
TI: 1992 and Beyond: Understanding the European Community.
PY: 1992
JN: *Business-Education-Forum;* v46 n3 p40-42 Feb 1992
AV: UMI
AB: If business educators are to develop the economic literacy of students, they must address such dimensions of the changing worldwide economic order as the European Community. (JOW)

AN: EJ454316
AU: Shaw,-Josephine
TI: Education and the Law in the European Community.
PY: 1992
JN: *Journal-of-Law-and-Education;* v21 n3 p415-42 Sum 1992
AB: Addresses the place of education within the European Community legal system; highlights the lines of thinking behind the community's educational support programs; and concludes by focusing on the role of the European Court in shaping the community's distinctive education law. (119 references) (MLF)

AN: EJ485308
AU: Sillince,-J.-A.-A.
TI: Information Policy in the European Community: Balancing Protection and Competition.
PY: 1994
JN: *Journal-of-Government-Information;* v21 n3 p215-30 May-Jun 1994
AV: UMI
AB: Discusses European Community policy relating to information technology and the information industry. Topics addressed include the information services industry; transborder information flow, including electronic mail, data owner responsibility, and software piracy; digital data networks; electronic data interchange; telecommunications; information industry policy; research and standards; and criticism of existing information policy. (Contains 82 references.) (LRW)

AN: EJ464456
AU: Smith,-Janet
TI: The European Teaching Force: Conditions, Mobility and Qualifications.
PY: 1992
JN: *International-Review-of-Education-Internationale-Zeitschrift-fuer-Erziehungswissenschaft-Revue-Internationale-de-Pedagogie;* v38 n6 p641-57 Nov 1992
AB: Describes the teaching profession in European Common Market (ECM) states, reviewing differences in importance of education, salaries, status, rewards, working conditions, and training. Discusses teacher mobility between member states

and feasibility of a single market among ECM states. Describes common market for primary school teachers in Scandinavian countries. (PAA)

AN: EJ469700
AU: Stassen,-Donna
TI: A United Germany in a Uniting Europe.
PY: 1993
JN: *Social-Education;* v57 n4 p187-90 Apr-May 1993
AV: UMI
AB: Presents contemporary view of Germany since reunification and the end of the Cold War. Includes 13 photographs portraying scenes from daily life in Germany. (CFR)

AN: EJ441963
AU: Swing,-Elizabeth-Sherman; Orivel,-Francois
TI: Education in a New Europe. Editorial Essay.
PY: 1991
JN: *Comparative-Education-Review;* v36 n1 p1-9 Feb 1991
AV: UMI
NT: Theme issue with title "Education in a Changing Europe."
AB: Examines distinct educational trends in Europe as western countries move toward unity and eastern countries shake off socialism. Focuses on educational policy aimed at developing a European identity, the persistence of distinct national intellectual traditions, consequences of expanded higher education, privatization and reactionary reform, and the meaning of educational perestroika. (SV)

AN: EJ430135
AU: Walker,-David
TI: European Community Prepares to Establish a "Common" Approach to Higher Education.
PY: 1991
JN: *Chronicle-of-Higher-Education;* v37 n44 pA1,30 Jul 17 1991
AV: UMI
AB: A far-reaching plan to create a European system of higher education, complementing development of a single economic market, is near approval. Eventually, curricula, standards, policies, and financing would converge in member countries. The political mood is currently supportive, and the plan would extend existing successful cooperative arrangements. (MSE)

AN: EJ469215
AU: Westhoff,-Jurgen
TI: The EEC Electronic Information Services Market.
PY: 1993
JN: *Government-Information-Quarterly;* v10 n3 p369-78 1993
AB: Describes the European Information Market Observatory and its purpose of gathering and providing knowledge about the European electronic information services market. Topics include the supply and use of electronic information services, size of the market, structure and policy of market operators, and recent developments in new electronic information services. (EAM)

AN: EJ449386
AU: Willems,-Gerard-M.
TI: Transcultural Communicative Competence and the Growth of European Citizenship.
PY: 1991
JN: *European-Journal-of-Teacher-Education;* v14 n3 p189-212 1991
AB: Discusses the importance of foreign language teaching in Europe, noting creation of a communicative competence that enhances cultural awareness, open-mindedness, transcultural interaction, and European unification; recommends that Europeans take language courses emphasizing cultural aspects of foreign languages and the development of pragmatic, strategic, and negotiating skills. (SM)

AN: EJ488687
AU: Wilvert,-Calvin
TI: Spain: Europe's California.
PY: 1994
JN: *Journal-of-Geography;* v93 n2 p74-79 Mar-Apr 1994
AV: UMI
AB: Contends that, as Spain integrates into the European Economic Community, it is considered to be Europe's California. Asserts that making regional comparisons between California and Spain can be an effective teaching method. Provides comparisons in such areas as agriculture and tourism. (CFR)

APPENDICES

Appendix 1

European Unification Glossary

Accession - Entrance of a nation into the European Union, usually subject to a popular vote.

ACP - Countries of Africa, the Caribbean, and the Pacific

Benelux - Belgium, Netherlands, and Luxembourg

BEU - Benelux Economic Union

BLEU - Belgium Luxembourg Economic Union

CAP - Common Agricultural Policy. A controversial and expensive system of agricultural subsidies by the EU that currently consumes 65% of the EU's total budget.

Cecchini Report 1988 - A Commission-sponsored study led by Paolo Cecchini that estimate the total potential gain to the community from the completion of the single unified market.

CEE - Central and Eastern Europe

CET - Common External Tariff

CFSP - Common Foreign and Security Policy established under the Union Treaty.

COMECON - Council for Mutual Economic Assistance, the trading bloc of the formerly communist nations.

COMINFORM - Communist Propaganda Agency

COREPER - Committee of Permanent Representatives. These are ambassadors from member states to the EU in Brussels.

Council of Ministers -The principal decision-making body in the Union. Its membership consists of government ministers from the member states (one from each country), who serve explicitly as national representatives. The composition varies, depending on the subject matter under consideration.

EC - European Community (or Communities), now generally referred to as the European Union

ECHR - European Convention on Human Rights

ECSC - European Coal and Steel Community

ECU - European Currency Unit. Accounting unit used by the EU, with limited business and private use as well, that may become the single currency for a fully integrated EU.

Ecu - Name for the new European currency

EDC - European Defense Community

EEC - European Economic Community, officially renamed as the European Community by the European Union Treaty.

EFTA - European Free Trade Association. Established in 1960 by the Stockholm Convention and headquartered in Geneva, this association currently has 4 members: Iceland, Liechstenstein, Norway, and Switzerland. Six former members have left the EFTA and joined the EU.

EMS - European Monetary System. Established in 1979, this system of fixed exchange rates is an important building block toward eventual economic and monetary union.

EPC - European Political Community.

EPC - European Political Co-operation or PoCo. Forum in which EU ministers of foreign affairs discuss coordination of foreign policy among member countries.

ERP - European Recovery Plan (Marshall Plan)

ERM - Europe's Exchange Rate Mechanism

ESC - Economic and Social Committee

EU - European Union

European Council - Composed of the Head of State or Government from each of the fifteen member states of the EU.

Euratom - European Atomic Energy Community

Europe 1992 - Popular name for the European single market based on its target completion date, the end of 1992.

Europe Agreement - Grants associate member status with the EU to another country and creates closer economic and political ties with the EU, but does not guarantee future membership.

European Commission - A supranational body that plays key roles in initiating new policy proposals and in overseeing implementation of EU law by the governments of the member states.

European Parliament - The parliament of the European Union. Its members have been directly elected by the citizens of the member states—they are not appointed by or responsible to national governments.

Fortress Europe - The concern that the EU will build trade barriers that discourage imports

FRG - Federal Republic of Germany (West Germany)

GATT - General Agreement on Tariffs and Trade

GDP - Gross Domestic Product

GNP - Gross National Product

Maastricht Treaty - The Treaty on European Union, called Maastricht Treaty after the Netherlands city where the EC leaders concluded the treaty.

NAFTA - North American Free Trade Agreement

NATO - North Atlantic Treaty Organization

OECD - Organization for Economic Cooperation and Development

OEEC - Organization for European Economic Cooperation

Phare Program - An EU program of foreign assistance

SEA - Single European Act. Ratified in 1987, this act amended the Treaty of Rome to provide a legal framework and streamlined decision-making for implementation of the EC's integrated market of 1992.

SEM - Single European Market implemented by the SEA

Transatlantic Declaration (1990) - Set framework for EC-U.S. consultation and cooperation in economic, scientific, educational, and cultural fields and committed both sides to working together on transnational problems such as terrorism, drugs, and the environment.

Treaty of Rome (1957) - Established the European Community

Uruguay Round - Most recent round of negotiations in GATT.

Velvet Revolution - The fall of the communist regimes throughout Central and Eastern Europe

WEU - Western European Union

VERs - Voluntary Export Restraints

Appendix 2

World Wide Web Sites of Information on European Unification

Europa: The European Union Home Page
http://www.cec.lu/welcome.html

Euro-Info-Sources: Accessible from "Europa"; access route to many other Union sources.
http://www.cec.lu/en/info.html

Eurostat: Example of source listed in "Euro-Info-Sources"; major source of EU data.
http://www.cec.lu/en/comm/eurostat/eurostat.html

The European Union: Another site accessible from "Europa"; contains access to information on EU institutions and a list of answers to frequently asked questions ("The European Union and Its Citizens").
http://www.cec.lu/en/eu.html

The European Union and Its Citizens: The Q and A site accessed from "The European Union".
http://www.cec.lu/en/comm/dg10/qa/qa.html

EUROPEAN UNION & INTERNET: Comprehensive listing of internet resources on the EU.
http://www.helsinki.fi/~aunesluo/eueng.html

EU Basics FAQ: Table of Contents: A great list of frequently asked questions; example of source accessible from "EUROPEAN UNION & INTERNET".
http://www.vub.ac.be/SMIT/eubasics/

Appendix 3

About the Contributors

Michael D. Gordon is Professor of History at Denison University and a Senior Faculty member of the Mershon Center's Citizenship Development for a Global Age Program. His specialty is Medieval and Early Modern European History. He has written extensively in the areas of seventeenth-century Spanish thought, sixteenth-century English legal history, and late medieval European public law. His writings have appeared in both American and European scholarly publications. His most recent project is a comparative study of legal education in eighteenth-century Europe and America.

Richard Gunther is Professor of Political Science at The Ohio State University. He received his Ph.D. in Political Science from the University of California-Berkeley. Gunther's area of specialization is West European politics. He is author of *Public Policy in a No-Party State: Spanish Budgeting and Planning in the Twilight of the Franquist Era*; co-author of *Spain After Franco: The Making of A Competitive Party System* and *Crisis y Cambia: Electores y Partidos en la Espana de los Anos Ochenta*; and co-editor of *Elites and Democratic Consolidation in Latin America and Southern Europe*. His most recent books include *Politics, Society, and Democracy: The Case of Spain and The Politics of Democratic Consolidation*. Gunther is founder and co-chair of the Subcommittee on Southern Europe of the American Council of Learned Societies, Director of the West European Studies Program at The Ohio State University, and Director of the Provisional Program on Democratization of The Mershon Center.

Leon Hurwitz is Professor of Political Science and Associate Dean, College of Arts and Sciences, Cleveland State University. Dr. Hurwitz is author or editor of nine books on the European Community, including *The Free Circulation of Physicians Within the European Community* and *The European Community and the Management of International Cooperation*. He is currently co-editor of *The State of the European Community*, a project of the European Community Studies Association. He has also published articles dealing with the European Community in *The Journal of Common Market Studies*, *Political Studies*, *Review Francaise des Affaires Sociales*, *Cahiers de Sociologie et de Demographie Medicales* and other journals. He was one of the founding members of the European Community Studies Association (ECSA) and currently serves on ECSA's Executive Committee and is also ECSA's Secretary-Treasurer and Editorial Board Chair. Dr. Hurwitz has lectured frequently in the United States and Europe on various aspects of the European Community.

Dagmar Kraemer holds an M.A. in Political Science from the University of Virginia, Charlottesville, and is a consultant to research institutes in Washington, DC.

Howell C. Lloyd is Professor of Geography at Miami University, has devoted most of his academic career to furthering international education through teaching, administration and university service. His principal instructional responsibilities have been in the fields of European regional and world political and regional geography. His work has permitted frequent European travel, including leading student study tours, and more than five years of teaching, research and living in Europe. As Miami's Director of International Studies, he administered and guided this multidisciplinary degree program to become one of the largest in the United States. He has been intensively involved in the operation of the University's European Center in Luxembourg since its inception in 1968. In addition to service on every major international education committee at Miami, he has been a planning consultant for several Ohio school districts, a publisher's reviewer for college geography texts, and author of professional articles on European urban transportation.

Moore McDowell is Professor of Economics at University College Dublin. He was educated at University College Dublin and Worcester College, Oxford and has been visiting professor at the University of Delaware, San Francisco State University, and the University of California, Davis. He serves as Secretary General, Irish Section, of the European League for Economic Cooperation and has been an economic consultant to both the Minister for Local Government in Dublin and the Confederation of Irish Industry. A researcher in industrial organization and applied micro and macroeconomics, McDowell's numerous publications include (as co-author) *Privatisation in Ireland — Issues and Prospects and ESB — History of Electricity Supply in Ireland. He also contributed "Aids to Industry in Ireland"* in *Aids to Industry in the European Community*, a report of the European Commission.

Steven L. Miller is Associate Professor of Social Studies and Global Education at The Ohio State University. Miller, a former teacher of high school economics and government, started at the Center for Economic Education at OSU in 1978 and served as its director until 1993. Among his publications are *Economic Education for Citizenship: Implications for Curriculum, Instruction, and Materials; Economics and National Security: Supplementary Lessons for High School Courses* (co-author and editor); *Teaching Strategies for High School Economics Courses* (co-author); and *The Study and Teaching of Economics* (co-author). Miller has played a key role in Education for Democratic Citizenship in Poland, a major civic education program, undertaken by the Polish Ministry of National Education, the Center for Civic Education in Warsaw, and OSU's Mershon Center. He has twice led teams of academic specialists to Lithuania as part of a new Mershon Center civic education initiative in cooperation with the Ministry of Education and Science. Miller has also worked with educators in Bulgaria as part of an economic education program conducted by the Ministry of Education, the University of Delaware, and the University of Cincinnati.

Manfred Stassen, former Adjunct Professor of German Studies and Letters at the School of Advanced International Studies (SAIS) and Senior Fellow in Residence at the American Institute for Contemporary German Studies (AICGS) of The Johns Hopkins University in Washington, DC, is currently the Director of the South Asia Office of the German Academic Exchange Service (DAAD) in New Delhi, India.

Wayne C. Thompson is Professor of Political Science, Virginia Military Institute, Lexington, Virginia. He received his B.A in Government from The Ohio State University and his M.A. and Ph.D., with distinction, from the Claremont Graduate School. He did further graduate study at the universities of Gottingen, Paris/Sorbonne and Freiburg im Breisgau, where he has since been a guest professor. He has studied and researched many years in Germany as a Woodrow Wilson, Fulbright, *Deutscher Akademischer Austauschdienst*, Earhart, and Alexander von Humboldt Fellow. He has served as scholar-in-residence at the Bundestag in Bonn, is the author of *In the Eye of the Storm: Kurt Riezler and the Crises of Modern Germany*, *The Political Odyssey of Herbert Wehner*, *Western Europe and Canada* in *The World Today Series*, *Historical Dictionary of Germany*, and *Margaret Thatcher: Prime Minister Indomitable*. He also co-edited *Perspectives on Strategic Defense and Space: National Programs and International Cooperation*. He has written many articles on European politics, philosophy, and history which have appeared in such periodicals as *The American Political Science Review*, *East European Quarterly*, *Journal of Politics*, *Central European History*, *German Studies Review*, *Current History*, *The History Teacher*, and *Armed Forces and Security*. He is currently a Fulbright Professor in Estonia.

George M. Vredeveld is a Professor of Economics at the University of Cincinnati and Director of its Center for Economic Education. The Center provides training for teachers and curriculum consultation for area schools and conducts economic and demographic studies for businesses and public organizations. In addition to his work on the effect of unifying the economies of the European Union, Vredeveld has studied the effects of economic transformation in Eastern Europe. For the past four years, Vredeveld has been working with the Bulgarian government to design a comprehensive economics and business education program for students, teachers, and public officials.

European Unification Chronology

1950	Robert Schuman proposes pooling Europe's coal and steel industries
1951	European Coal and Steel Community Treaty (ECSC) signed
1957	European Economic Community (EEC) and European Atomic Energy (Euroatom) treaties signed
1965	Treaty merges the three institutions of the European Communities
1968	Customs union completed
1973	Denmark, Ireland, and the United Kingdom join the Community
1979	European Monetary System (EMS) becomes operative
1981	Greece joins the Community
1985	European Council endorses plans for single market by end of 1992
1986	Spain and Portugal enter the Community
1987	Single Europe Act enters force
1989	Madrid European Council endorses plan for Economic and Monetary Union
1990	Five Laender of the former German Democratic Republic enter the Community as part of Unified Germany
1991	EC and EFTA agree to form the European Economic Area (EEA)
	Maastricht Council agrees to Treaty on European Union
	Poland, Hungary, Czechoslovakia sign first Europe Agreements on trade, political and economic cooperation
1992	Treaty on Union signed in Maastricht
	First Danish referendum rejects Maastricht Treaty
1993	European Single Market enters force
	Second Danish referendum approves Maastricht Treaty
	Treaty on European Union enters force on November 1
1994	European Economic Area enters force
	EU accession negotiations completed with Austria, Finland, Norway, Sweden
	Norway rejects accession
1995	Austria, Finland, and Sweden enter the European Union

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